



MONTHLY ECONOMIC REVIEW

JANUARY 2015

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OVERVIEW

Introduction This Monthly Economic Review highlights recent economic developments through January 2015. This includes developments in inflation, money, credit and interest rates, the real sector, balance of payments and exchange rates. It also highlights developments in the banking sector, Government budgetary operations, public debt and the stock market.

Inflation Overall 12-month inflation declined from 6.0 percent in December 2014 to 5.53 percent in January 2015. This largely reflects reduced prices of fuel. Fuel inflation fell by 144.8 basis points to 4.5 percent in January 2015, while food inflation and non-food non-fuel inflation eased by 15.7 basis points and 13.6 basis points, respectively. Annual average inflation declined from 6.9 percent in December 2014 to 6.7 percent in January 2015.

Money Supply Growth in broad money, M3, accelerated to 16.0 percent in the year to January 2015 from 17.1 percent in a similar period in 2014 and was slightly above the January 2015 target of 15.6 percent. The increase in money supply was attributed to accumulation of Net Foreign Assets (NFA) and strong credit growth as reflected in the Net Domestic Assets (NDA) of the banking system.

Interest Rates The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on January 14, 2015, in order to continue anchoring inflationary expectations. The weighted average interbank rate increased marginally to 7.12 percent in 20

Real GDP Growth The economy was resilient, with output growth at 5.7 percent in 2013 compared with 4.5 percent in 2012. In the first three quarters of 2014, the economy grew by 4.5 percent, 5.7 percent and 5.5 percent, respectively, compared with growth of 6.3 percent, 7.3 percent and 6.2 percent in comparable quarters of 2013. Growth in the first three quarters of 2014 was largely supported by improved performance in construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture sectors.

Balance of Payments Kenya's overall balance of payments surplus declined by USD 86.0 million to USD 1,024 million in the year to January 2015 from a surplus of USD 1,110 million in the year to January 2014 following a larger widening in the current account deficit,

compared to the improvement in the capital and financial account surplus.

Exchange Rates

The Kenya shilling displayed mixed performance against major international and EAC currencies during the month of January 2015. It strengthened against the Pound Sterling and the Euro but weakened against the US Dollar and the Japanese Yen largely on account of the strengthening of the US Dollar against major world currencies, on the international market, and high dollar demand in the domestic market.

Banking Sector Developments

The Kenyan Banking sector registered improved growth in assets in the year to January 2015 driven by growth in deposits, injection of capital and retention of profits. The sector registered improved performance in earnings and capital and the level of non-performing loans reduced compared with a similar period in 2014.

Government Budgetary Performance

The Government budgetary operations during the first seven months of FY 2014/15 resulted in a deficit of Ksh 150.8 billion (3.2 percent of GDP) compared with a deficit of Ksh 143.5 billion (3.8 percent of GDP) recorded in the same period of FY 2013/14.

Public Debt

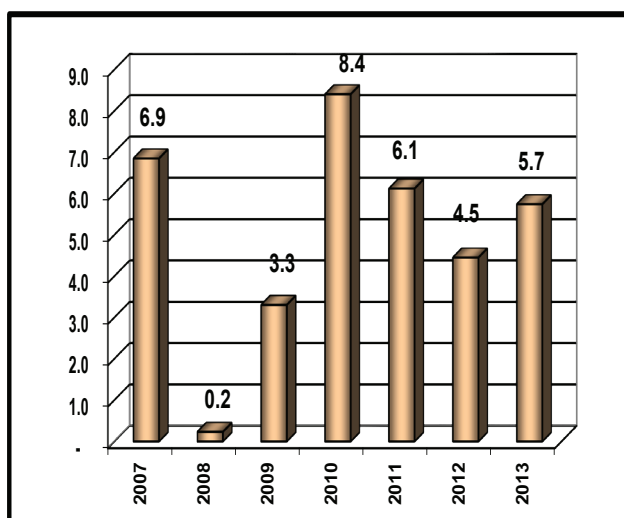
Kenya's public and publicly guaranteed debt rose by 213.8 billion to close at Ksh 2,583.9 billion in January 2015 from Ksh 2,370.3 billion in June 2014. The total debt stock at the end of January 2015 was equivalent to 54.3 percent of GDP.

Stock Market

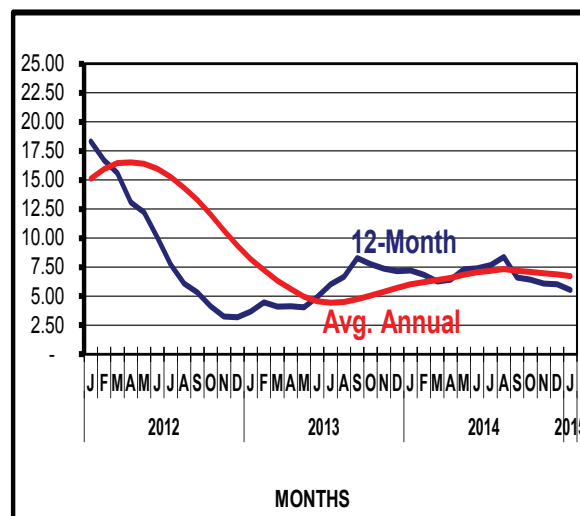
The capital markets recorded mixed performance in January 2015, with both bonds and equity segment registering gains on prices amid constrained supply. Net foreign investors' activities at the NSE improved, with more sales than purchases.

SELECTED ECONOMIC PERFORMANCE INDICATORS

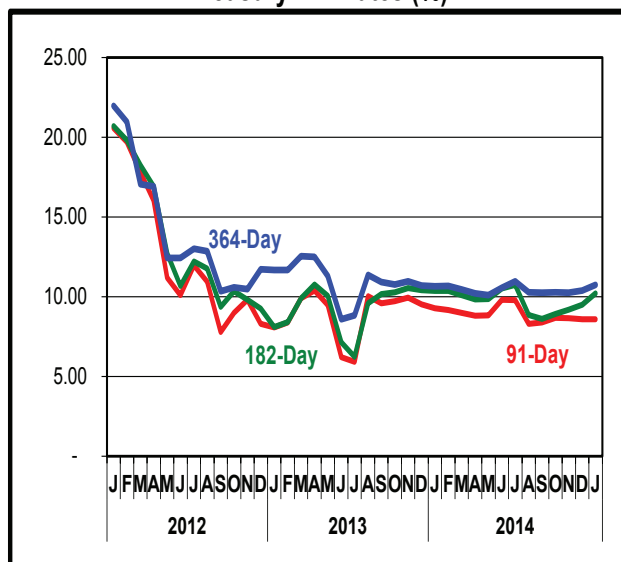
Real GDP Growth (%)



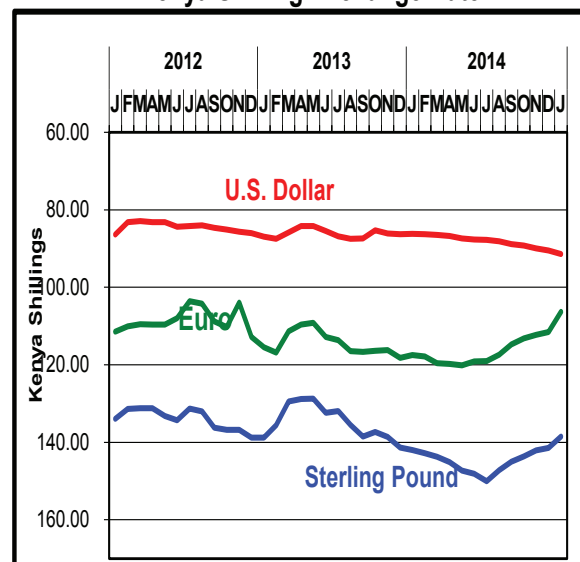
Inflation (%)



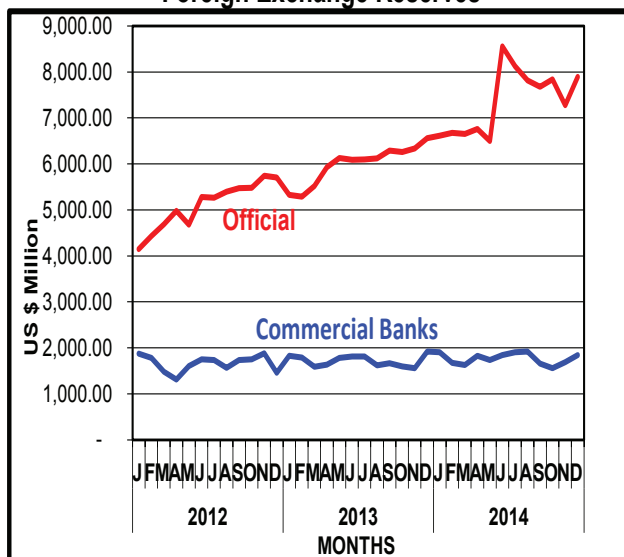
Treasury Bill Rates (%)



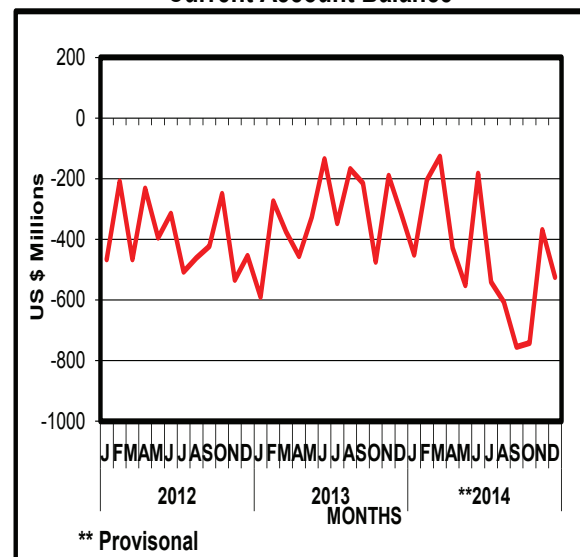
Kenya Shilling Exchange Rate



Foreign Exchange Reserves



Current Account Balance



SELECTED ANNUAL ECONOMIC INDICATORS

	2006	2007	2008	2009	2010	2011	2012	2013
1. POPULATION*								
People in Millions	36.10	37.20	38.30	38.60	38.50	39.50	40.70	41.80
Growth (%)	2.85	3.05	2.96	0.78	-0.26	2.60	3.04	2.70
2. NATIONAL ACCOUNTS**								
Gross value added at basic prices (Ksh m)	1,649,996	1,903,472	2,211,447	2,558,792	2,827,470	3,348,141	3,811,764	4,234,319
GDP at Market Prices (Ksh m):								
At Current Prices	1,862,041	2,151,349	2,483,058	2,863,688	3,169,335	3,726,052	4,254,772	4,757,532
At Constant 2009 Market Prices	2,588,279	2,765,595	2,772,019	2,863,688	3,104,401	3,294,454	3,441,132	3,638,761
Real GDP Growth (%)	...	6.9	0.2	3.3	8.4	6.1	4.5	5.7
Per Capita Income Real 2009 prices (Ksh)	74,862	77,197	75,431	75,910	80,689	83,309	84,649	88,750
3. GROSS NATIONAL SAVINGS (% of GDP at mkt prices)³	16.1	16.7	15.4	14.6	14.1	14.6	12.7	11.0
4. GROSS DOMESTIC SAVINGS (% of GDP at mkt prices)³	9.1	10.1	8.9	8.4	8.3	7.2	7.1	5.4
5. GROSS DOMESTIC INVESTMENTS (% of GDP at mkt prices)	18.6	20.5	19.6	19.3	20.8	21.7	21.6	19.9
6. OVERALL INFLATION BASE PERIOD= FEB 2009								
Annual Average Inflation	6.39	4.27	16.27	9.24	3.96	14.02	9.38	5.72
12-Month Inflation	7.98	5.70	17.83	5.32	4.51	18.93	3.20	7.15
7. STOCK MARKET								
Nairobi Stock Exchange Price Index (1966=100)	5,645.65	5,444.83	3,521.18	3,247.44	4,432.60	3,205.02	4,133.02	4,926.97
Trade Turnover Ratio (%)	1.70	1.29	0.29	0.64	0.99	0.46	0.58	0.58
8. GOVERNMENT BUDGET (Ksh bn) ***								
Revenue and Grants	331.21	383.59	457.67	511.36	614.53	679.53	734.43	1,001.40
Expenditure	368.65	405.20	534.84	621.91	791.79	817.09	915.89	1,297.80
Budget Deficit (-) / Surplus (+) incl. Grants (commitment basis)	(37.44)	(21.61)	(77.17)	(110.55)	(177.26)	(137.56)	(181.46)	(296.40)
Budget Deficit (% of GDP)	(2.74)	(1.02)	(3.93)	(4.94)	(7.21)	(4.98)	(5.51)	(6.20)
9. MONEY AND CREDIT (Ksh bn)(end period)								
Liquidity (L) ¹	834.16	992.42	1,091.93	1,280.44	1,558.16	1,854.93	2,129.49	2,527.00
Money Supply (M3) ²	666.84	797.54	901.05	1,045.66	1,271.64	1,514.15	1,727.32	2,000.02
Reserve Money	124.16	155.62	163.59	181.96	222.63	255.01	293.62	320.76
Total Domestic Credit	575.76	668.90	815.52	955.82	1,188.40	1,505.13	3,036.21	1,982.30
Government	137.81	137.40	155.32	205.07	277.78	311.58	368.83	397.16
Private sector and other public sector	437.94	531.49	660.20	750.75	910.62	1,193.55	1,333.69	1,585.13
10. BALANCE OF PAYMENTS (US\$ m)								
Overall Balance	675.00	854.00	(469.00)	780.53	163.40	(42.88)	1,261.00	684.72
Current Account	-511.00	-1,034.00	-1,983.00	-1,609.28	-2,511.91	-3,330.50	-4,252.77	-4,785.96
Capital and Financial Account	1,187.00	1,888.00	1,514.00	2,389.81	2,675.30	3,286.88	5,513.78	5,470.68
11. FOREIGN EXCHANGE RESERVES (US\$ m) End Period	3,331.30	4,556.97	4,640.78	5,064.03	5,122.52	6,044.78	7,159.86	8,483.20
Official	2,415.27	3,354.85	2,875.46	3,847.39	4,001.68	4,247.66	5,701.85	6,560.17
	3.9	4.8	3.4	4.1	3.9	3.7	4.3	4.5
Commercial Banks	916.03	1,202.12	1,765.32	1,216.63	1,120.84	(213.32)	854.32	49.38
12. PUBLIC DEBT (US\$ bn) End Period***	10.68	12.04	13.46	13.66	14.96	16.60	19.27	27.52
Domestic	4.84	6.08	6.66	6.72	8.06	8.51	10.20	14.91
As % of GDP	18.77	19.00	18.54	18.16	20.15	20.26	20.27	27.02
External	5.84	5.96	6.80	6.94	6.90	8.09	9.08	12.61
As % of GDP	22.62	18.62	18.94	18.75	17.25	19.26	18.04	22.84
13. EXCHANGE RATE (Ksh/US\$) (Annual Average)	72.10	67.32	69.18	77.35	79.26	88.87	84.52	86.13

* Provisional.

** Rebased data

*** Fiscal year to June 30th.

¹ Previously M3XT

² Previously M3X

³ Revised

Sources: Kenya National Bureau of Statistics, National Treasury, Central Bank of Kenya and Nairobi Securities Exchange

SELECTED MONTHLY ECONOMIC INDICATORS

INDICATOR	2014												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
1. INFLATION (%)													
CPI	145.40	145.95	146.61	148.20	149.70	149.91	150.60	152.02	152.24	151.92	151.85	152.51	153.43
Overall Inflation													
12-month overall inflation	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53
Average annual overall inflation	6.01	6.21	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74
2. INTEREST RATES (%)													
91-day Treasury bill interest rate	9.26	8.98	8.80	8.80	8.82	9.81	9.78	8.29	8.38	8.67	8.64	8.58	8.59
Overdraft interest rate	16.82	16.88	16.44	16.40	17.85	15.88	17.12	16.20	15.79	15.77	15.66	15.86	15.95
3. STOCK MARKET													
Nairobi Stock Exchange 20 Share Price Index	4,856.15	4,933.41	4,945.78	4,948.97	4,881.56	4,885.04	4,906.09	5,139.39	5,256.00	5,194.89	5,156.00	5,112.65	5,212.00
Turnover Ratio (%)	0.79	0.68	0.67	0.67	1.06	0.90	0.77	0.77	0.93	0.61	0.80	1.07	0.50
4. GOVERNMENT BUDGET* (Ksh bn.)													
Revenue \$ Grants	548.10	611.90	694.30	795.75	880.77	1,001.37	69.58	142.36	248.08	335.24	410.52	524.99	614.43
Expenses	691.60	770.60	855.33	971.11	1,114.34	1,297.76	48.60	141.07	276.61	373.51	490.10	613.96	765.22
Budget Deficit (-) / Surplus (+)	(143.50)	(158.70)	(161.03)	(175.36)	(233.57)	(296.39)	20.97	1.29	(28.52)	(38.27)	(79.58)	(88.98)	(150.79)
5. MONEY AND CREDIT (Ksh bn.)													
Liquidity (L) ¹	2,558.56	2,560.08	2,592.54	2,650.16	2,701.27	2,718.34	2,752.26	2,880.19	3,020.09	3,037.95	3,102.53	3,124.10	3,162.64
Money Supply (M3) ²	2,026.57	2,030.49	2,060.31	2,100.61	2,147.48	2,152.13	2,190.08	2,253.32	2,251.76	2,260.02	2,295.15	2,329.98	2,350.80
Reserve Money	302.32	315.49	309.81	315.27	315.34	323.73	304.65	357.05	322.76	348.60	346.20	380.04	350.15
Total Domestic Credit	2,010.72	2,057.51	2,097.87	2,127.93	2,177.36	2,042.87	2,130.25	2,187.85	2,110.45	2,117.81	2,162.33	2,137.14	2,153.91
Government	413.32	438.80	449.87	441.96	465.19	283.06	346.88	372.79	251.10	240.00	256.68	204.27	206.94
Private sector and other public sector	1,597.40	1,618.71	1,648.00	1,685.97	1,712.17	1,759.82	1,783.37	1,815.06	1,859.35	1,877.81	1,905.65	1,932.86	1,946.96
6. MONEY AND CREDIT (Annual % Change)													
Liquidity (L) ¹	19.97	19.01	18.89	18.32	18.84	19.32	19.11	22.99	25.53	25.08	25.10	23.81	23.61
Money Supply (M3) ²	17.15	16.17	17.35	16.55	17.77	18.19	19.30	21.80	19.41	18.94	17.48	16.72	16.00
Reserve Money	10.33	9.89	7.73	17.71	11.88	12.63	7.28	15.25	11.16	13.46	9.29	18.48	15.82
Total Domestic Credit	15.27	17.77	19.73	16.66	22.44	14.58	20.05	21.06	12.54	12.09	9.92	8.02	7.12
Government	4.37	11.48	15.05	(3.53)	18.42	(25.41)	0.07	10.91	(34.37)	(34.91)	(37.21)	(48.57)	(49.93)
Private and other public sector	18.47	19.60	21.07	23.43	23.58	25.39	24.90	23.37	24.56	23.49	22.3	22.2	21.9
7. BALANCE OF PAYMENTS (US\$ m)													
Overall Balance	59.41	(33.77)	82.02	110.54	(261.11)	2,056.50	(419.32)	(313.45)	(137.65)	168.11	(559.44)	626.49	(294.47)
Current Account	(450.68)	(203.78)	(249.12)	(428.83)	(551.92)	(183.10)	(531.47)	(601.60)	(729.49)	(729.62)	(352.15)	(570.86)	(401.38)
Trade Balance	(1,009.74)	(746.71)	(683.99)	(1,041.20)	(1,173.89)	(793.62)	(1,204.68)	(1,135.01)	(1,344.76)	(1,269.37)	(874.89)	(1,072.77)	(946.65)
Capital and Financial Account	510.09	170.01	331.14	539.37	290.81	2,239.60	112.15	288.14	591.85	897.73	(207.29)	1,197.35	106.91
8. FOREIGN EXCHANGE RESERVES (US\$ m)	8,518.60	8,250.21	8,285.29	8,593.52	8,230.25	10,398.72	10,029.34	9,731.50	9,335.92	9,399.90	8,964.49	9,737.55	9,619.76
Official	6,611.91	6,578.15	6,660.17	6,764.90	6,498.02	8,554.52	8,127.54	7,814.08	7,676.44	7,838.99	7,273.99	7,894.92	7,593.04
Months of import cover**	4.50	4.46	4.52	4.54	4.34	5.70	5.37	5.15	5.01	5.06	4.70	5.08	4.87
Commercial banks	1,906.68	1,672.06	1,625.12	1,828.62	1,732.24	1,844.21	1,901.81	1,917.42	1,659.49	1,560.91	1,690.50	1,842.64	2,026.72
9. PUBLIC DEBT (US\$ bn)	24.61	24.59	24.60	25.00	25.01	27.05	27.19	26.92	26.44	26.17	26.56	27.16	28.28
Domestic	13.93	14.25	14.24	14.03	14.10	14.66	14.77	14.54	14.19	13.97	14.49	14.23	14.42
As % of GDP	25.24	25.84	25.88	25.58	25.91	27.00	27.25	26.93	26.50	26.19	27.40	27.10	27.70
External	10.68	10.34	10.36	10.97	10.91	12.39	12.42	12.38	12.25	12.20	12.08	12.92	13.86
As % of GDP	19.35	18.76	18.84	19.99	20.05	22.83	22.90	22.93	22.87	22.89	22.89	24.60	26.60
10. GROSS DOMESTIC DEBT (Ksh bn)***	1,200.90	1,229.30	1,231.20	1,216.76	1,232.49	1,284.33	1,296.44	1,281.09	1,260.87	1,246.14	1,303.35	1,287.40	1,317.48
11. AVERAGE EXCHANGE RATE													
Ksh/US\$	86.21	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36
Ksh/Pound Sterling	141.99	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49
Ksh/ 100 Yen	82.92	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19
Ksh/Euro	117.50	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32

* Data on Government budget remain provisional until the books for the fiscal year are audited.

** Based on 36 months average of imports of goods and non-factor services

*** Excludes the IMF disbursements on-lent to the Govt. at the CBK, which is included in external public debt.

¹ Previously M3XT

² Previously M3X

Sources: Kenya National Bureau of Statistics, National Treasury, Nairobi Securities Exchange and Central Bank of Kenya

TRENDS IN VARIOUS MEASURES OF INFLATION

Overall Inflation

Overall 12-month inflation eased from 6.0 percent in December 2014 to 5.5 percent in January 2015 largely reflecting a continued easing in fuel inflation. Fuel inflation fell by 144.8 basis points to 4.5 percent in January 2015 while food inflation and non-food non-fuel inflation eased by 15.7 basis points and 13.6 basis points, respectively. The three months annualized rate of inflation however, rose to 4.0 percent in January 2015 from 0.7 percent in December 2014 which indicate an increase in domestic inflationary pressures (Table 1.1 and Chart 1A).

TABLE 1.1: INFLATION (%)

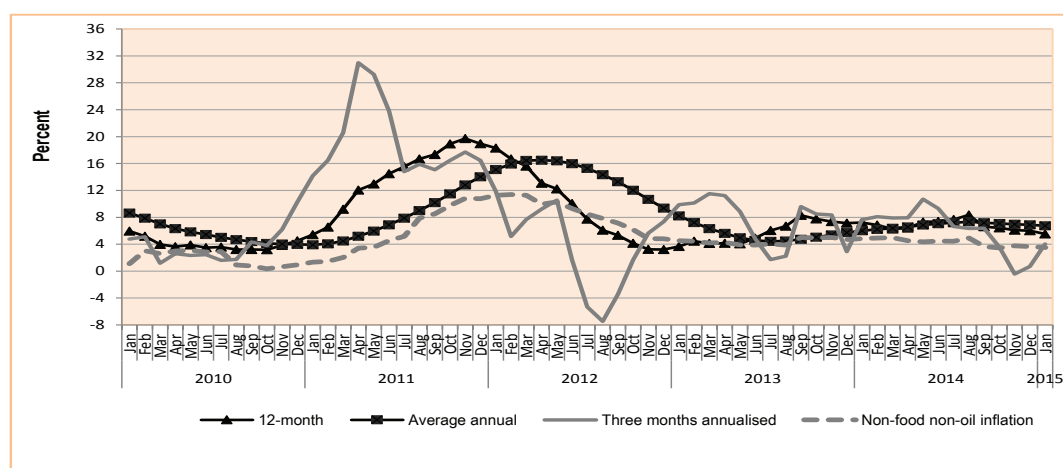
Overall Inflation	2014												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
12-month	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53
Average annual	6.01	6.21	6.39	6.58	6.85	7.05	7.19	7.33	7.19	7.08	6.97	6.88	6.74
Three months annualised	7.64	8.09	7.89	7.93	10.69	9.32	6.63	6.33	6.37	3.56	-0.44	0.70	4.05
Non-food non-oil inflation	4.83	4.93	4.97	4.53	4.35	4.47	4.45	4.92	3.65	3.46	3.77	3.65	3.51

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Food inflation changed declined from 7.5 percent in December 2014 to 7.4 percent in January 2015. The fall reflects a decline in the 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services (from 7.71 percent in December 2014 to 7.67 percent in January 2015 and in the 'restaurant and hotels' category of goods and services from 6.1 percent in to 4.9 percent.

Fuel inflation eased from 6.0 percent in December 2014 to 4.5 percent in January 2015. This reflects a decline in 12-month inflation in the 'transport' category of goods and services from 8.9 percent in December 2014 to 5.3 percent in January 2015 and in the 'housing, water, electricity, gas and other fuels' category of goods and services from 4.5 percent to 4.1 percent. The decline in domestic fuel inflation reflects a fall in the retail prices of diesel, petrol and kerosene, emanating from a decline in the international oil prices.

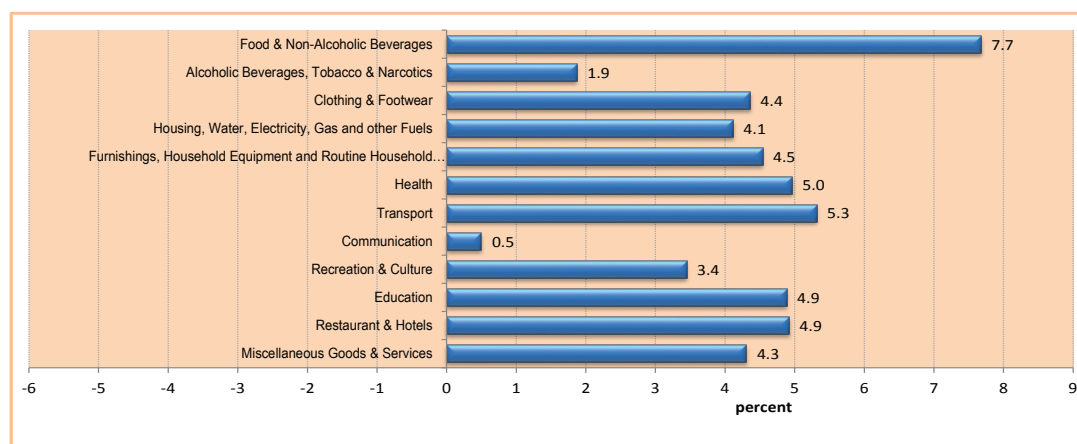
Non-food non-fuel inflation eased from 3.7 percent in December 2014 to 3.5 percent in January 2015 reflecting lower inflation in the 'recreation and culture', 'health', 'education' and 'miscellaneous goods and services' consumption baskets.

CHART 1A: 12-MONTH OVERALL, AVERAGE ANNUAL AND THREE-MONTHS ANNUALISED INFLATION (%)

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Inflation Across Categories of Goods & Services

Developments across all categories of goods and services, and the distribution of weights in the Kenya consumer price index (CPI) are summarized in Table 1.2 and Chart 1B. Chart 1C shows that 55.0 percent of overall 12-month inflation in January 2015 was attributed to 'food and non-alcoholic beverages' category of goods while inflation in 'housing, water, electricity, gas and other fuels' and 'transport' categories contributed 12.5 percent and 8.7 percent, respectively.

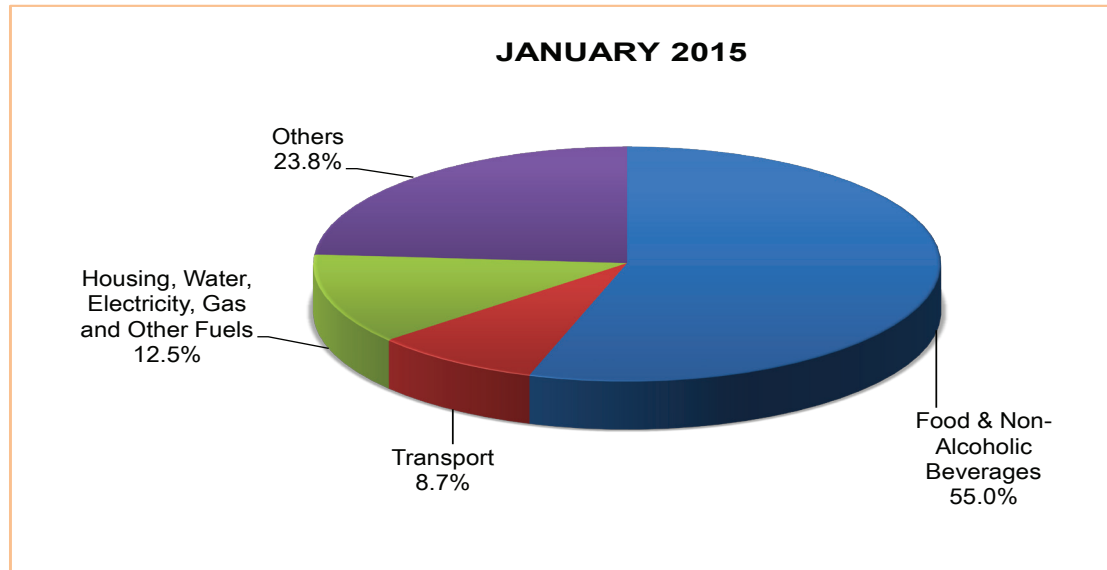
CHART 1B: 12-MONTH INFLATION ACROSS THE CPI CATEGORIES OF GOODS AND SERVICES

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

TABLE 1.2: 12 MONTHS INFLATION ACROSS BASKETS AND INCOME GROUPS

January 2015	Weight-CPI Kenya	NAIROBI				REST OF URBAN	TOTAL KENYA
		Lower Income	Middle Income	Upper Income	Nairobi Combined	Rest of Kenya Combined	
Food & Non-alcoholic beverages	36.0	6.8	6.1	6.2	6.6	8.4	7.7
Alcoholic beverages, Tobacco & narcotics	2.1	1.5	1.3	2.0	1.5	2.1	1.9
Clothing & Footwear	7.4	2.9	4.1	7.0	3.3	5.0	4.4
Housing, Water, Electricity, Gas and other fuels	18.3	1.8	1.6	0.7	1.7	5.8	4.1
Furnishings, Household equipment and Routine household maintenance	6.2	1.4	2.6	2.2	1.8	6.4	4.5
Health	3.1	3.5	2.7	2.9	3.2	6.1	5.0
Transport	8.7	9.3	-2.0	-0.8	6.5	4.4	5.3
Communication	3.8	-0.2	0.1	0.0	-0.1	0.8	0.5
Recreation & culture	2.3	2.2	4.2	-2.2	2.5	4.1	3.4
Education	3.1	2.8	11.2	3.8	5.0	4.8	4.9
Restaurants & hotels	4.5	1.9	1.3	9.7	2.0	7.0	4.9
Miscellaneous goods & services	4.5	3.5	4.4	5.2	3.7	4.7	4.3
ALL GROUPS	100.0	4.8	3.2	2.1	4.4	6.3	5.5

Source: Kenya National Bureau of Statistics

CHART 1C: PERCENTAGE CONTRIBUTIONS TO TOTAL INFLATION (JANUARY 2015)

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

The 12-month inflation eased in urban centers across the country in January 2015. In Nairobi, inflationary pressures eased for all income groups (Table 1.3) resulting into lower combined Nairobi 12 month inflation of 4.4 percent from 4.5 percent in December 2014.. In urban centers outside Nairobi this inflation eased to 6.3 percent in January 2015 from 7.0 percent in December 2014.

TABLE 1.3: 12-MONTH INFLATION BY INCOME GROUPS (%)

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Combined Nairobi	6.73	6.10	5.53	5.16	5.95	6.15	6.21	7.32	4.52	4.46	4.22	4.53	4.38
Lower Income	7.16	6.46	5.80	5.36	6.07	6.10	6.13	7.49	4.84	4.79	4.50	4.87	4.83
Middle Income	5.44	4.93	4.65	4.43	5.37	6.06	6.19	6.39	3.34	3.38	3.30	3.61	3.22
Upper Income	5.89	5.84	5.38	5.64	7.18	7.81	8.04	9.58	5.19	4.33	4.25	3.19	2.05
Other provinces- excluding Nairobi	7.54	7.38	6.78	7.27	8.23	8.25	8.68	9.07	8.04	7.79	7.37	7.05	6.32
TOTAL KENYA	7.21	6.86	6.27	6.41	7.30	7.39	7.67	8.36	6.60	6.43	6.09	6.02	5.53

Sources: Kenya National Bureau of Statistics and Central Bank of Kenya

Inflation Outlook

Overall domestic inflation is expected to stabilize within the upper bound of the government medium term target on account of lower fuel and energy inflation.

DEVELOPMENTS IN MONEY, CREDIT AND INTEREST RATES

Monetary Aggregates

Growth in broad money, M3, accelerated to 16.0 percent in the year to January 2015 from 17.2 percent in a similar period in 2014 and was slightly above the January 2015 target of 15.6 percent. The M3 growth through January 2015 reflected strongly in the Ksh component, M2, as growth of the foreign currency deposits component decelerated (Table 2.1 and Chart 2A).

TABLE 2.1: MONEY SUPPLY AND ITS SOURCES (KSH BILLION)

	2013 January	2014 January	2015 January	Absolute Change		%age change	
				2013/14 January	2014/15 January	12 months Jan-14	12 months Jan-15
1. Money supply, M3 (2+3) 2/	1729.9	2026.6	2350.8	296.7	324.2	17.1	16.0
1.1 Money supply, M2 3/	1469.4	1699.5	1987.9	230.1	288.4	15.7	17.0
1.2 Money supply, M1	704.0	843.8	939.6	139.8	95.8	19.9	11.4
1.3 Currency outside banks	142.1	157.3	170.1	15.1	12.8	10.6	8.1
1.4 Foreign Currency Deposits	273.9	327.1	362.9	53.2	35.8	19.4	11.0
2. Net foreign assets 4/	347.7	389.6	472.1	41.9	82.5	12.1	21.2
Central Bank	345.1	433.3	567.8	88.2	134.5	25.5	31.0
Banking Institutions	2.6	-43.7	-95.7	-46.3	-52.0		
3. Net domestic assets (3.1+3.2)	1382.2	1636.9	1878.7	254.8	241.7	18.4	14.8
3.1 Domestic credit (3.1.1+3.1.2)	1744.4	2010.7	2154.0	266.3	143.3	15.3	7.1
3.1.1 Government (net)	396.0	413.3	207.0	17.3	-206.3	4.4	-49.9
3.1.2 Private sector	1297.5	1563.0	1903.3	265.5	340.3	20.5	21.8
3.1.3 Other public sector	50.9	34.4	43.6	-16.5	9.3	-32.5	27.0
3.2 Other assets net (3-3.1)	-362.2	-373.8	-275.3	-11.6	98.5		
Memorandum items							
1. Overall liquidity, L 1/	2132.7	2558.6	3162.6	425.9	604.1	20.0	23.6
2. Reserve money	274.0	302.3	350.2	28.3	47.8	10.3	15.8
Currency outside banks	142.1	157.3	170.1	15.1	12.8	10.6	8.1
Bank reserves	131.9	145.1	180.1	13.2	35.0	10.0	24.1

Absolute and percentage changes may not necessarily add up due to rounding

1/ Overall liquidity, L, comprises M3 and non banking public holding of Government securities. It is comparable to M3XT in the past publications.

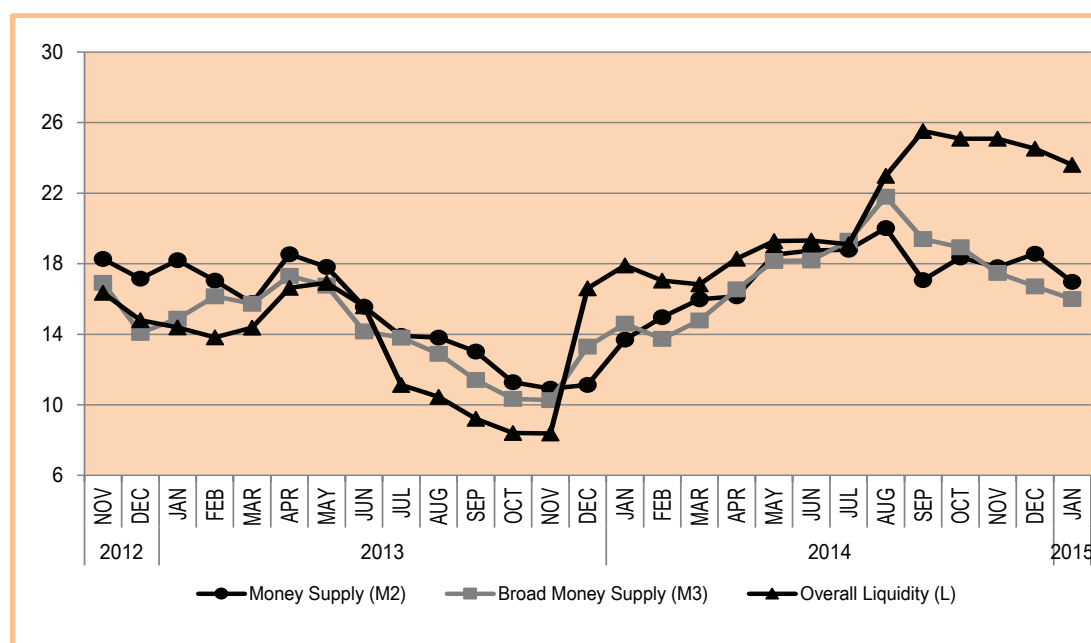
2/ Broader money, M3, comprises M2 and residents foreign currency deposits with local banks. It is comparable to M3X in the past publications. Foreign currency deposits are valued at current exchange rate from July 2008.

3/ Broad money, M2, comprises currency outside banking institutions, and all private and other public sector holdings of demand savings and time

4/ Net Foreign Assets at current exchange rate to the US dollar.

Source: Central Bank of Kenya

CHART 2A: ANNUAL PERCENTAGE CHANGE IN MONEY SUPPLY



Source: Central Bank of Kenya

The M3 growth was attributed to increases of both Net Foreign Assets (NFA) and Net Domestic Assets of the banking system (Table 2.1). NFA of the banking system grew by 21.2 percent (or KSh 82.5 billion) in the year to January 2015 compared with 12.1 percent (or KSh 41.9 billion) over a similar period in 2014. This accumulation reflected wholly in holdings of the Central Bank, and largely from the proceeds of the Sovereign Bond issued in June 2014 and December 2014. The NFA of the Central Bank therefore increased by 31.0 percent to KSh 567.8 billion in the year to January 2015 from KSh 433.3 billion in January 2014. The NFA held by other banking institutions declined, on account of increased loans from non-residents and accumulation of foreign deposits. Over the same period, growth of the banking system NDA slowed down to 14.8 percent from 18.4 percent largely reflecting about 50 percent repayment of net domestic credit by Government (Table 2.1) which partly mirror accumulation of Government deposits.

TABLE 2.2: BANKING SYSTEM NET DOMESTIC CREDIT (KSH BILLION)

	2013 January		2014 January		Absolute Change January		Annual %age Change January	
	Ksh bn	Share (%)	Ksh bn	Share (%)	2013/14	2014/15	2012/13	2013/14
1. Credit to Government	413.3	20.6	207.0	9.6	17.3	-206.3	4.4	-49.9
Central Bank	-16.7	-0.8	-105.4	-4.9	-46.5	-88.7		
Commercial Banks & NBFIs	430.0	21.4	312.4	14.5	63.8	-117.6	17.4	-27.3
2. Credit to other public sector	34.4	1.7	43.6	2.0	-16.5	9.3	-32.5	27.0
Local government	-1.0	0.0	0.3	0.0	-4.3	1.3	-128.5	-135.9
Parastatals	35.3	1.8	43.3	2.0	-12.2	8.0	-25.7	22.6
3. Credit to private sector	1563.0	77.7	1903.3	88.4	265.5	340.3	20.5	21.8
Agriculture	59.0	2.9	73.9	3.4	-0.7	14.9	-1.1	25.2
Manufacturing	190.3	9.5	247.6	11.5	21.6	57.4	12.8	30.1
Trade	254.2	12.6	304.5	14.1	39.8	50.3	18.6	19.8
Building and construction	70.0	3.5	82.3	3.8	0.1	12.3	0.1	17.6
Transport & communications	93.5	4.7	133.7	6.2	17.5	40.2	23.1	43.0
Finance & insurance	29.0	1.4	51.1	2.4	-4.6	22.1	-13.6	76.1
Real estate	199.3	9.9	265.9	12.3	37.6	66.6	23.3	33.4
Mining and quarrying	23.3	1.2	22.4	1.0	-4.5	-0.9	-16.3	-3.8
Private households	235.4	11.7	318.1	14.8	61.7	82.7	35.6	35.2
Consumer durables	97.1	4.8	110.9	5.2	16.3	13.8	20.2	14.2
Business services	139.9	7.0	174.6	8.1	46.7	34.7	50.1	24.8
Other activities	172.0	8.6	118.2	5.5	33.9	-53.8	24.6	-31.3
4. TOTAL (1+2+3) *	2010.7	100.0	2154.0	100.0	266.3	143.3	15.3	7.1

* Absolute and percentage changes may not necessarily add-up due to rounding

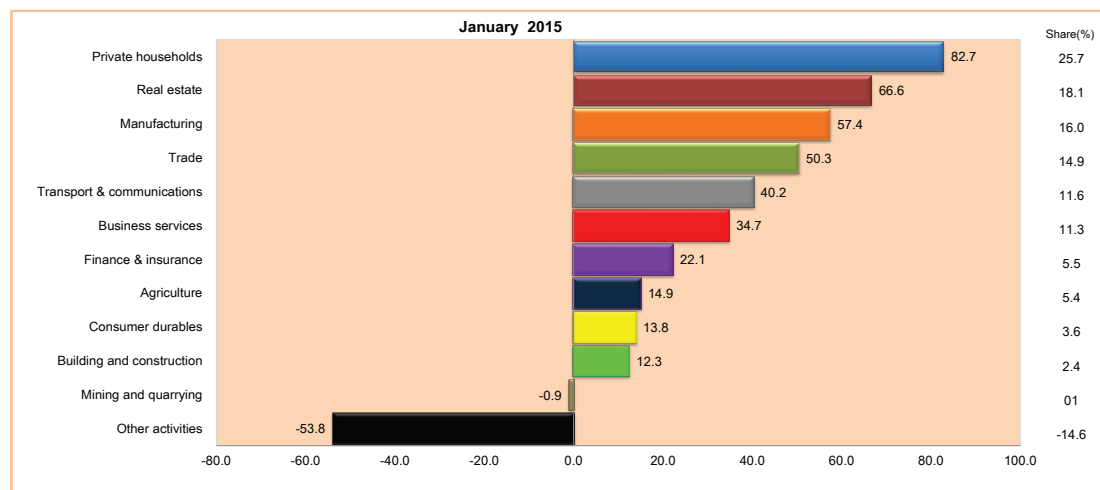
Source: Central Bank of Kenya

Domestic Credit Developments Domestic credit from the banking sector increased by KSh 143.3 billion (7.1 percent) in the year to January 2015 compared with KSh 266.4 billion (15.3 percent) in a similar period in 2014 (Table 2.2). The slowdown reflected net repayment by Government which partly offset strong credit growth to the private sector. In terms of shares to the total lending, the private sector accounted for 88.4 percent compared with a 9.6 percent share to government in the period under review.

The credit flow to the private sector in January 2015 was to the following activities, in order of magnitude: private households 24.3 percent (or KSh 82.7 billion); real estate at 19.6 percent (or KSh. 66.6 billion); manufacturing 16.9 percent (or KSh 57.4 billion); trade at 14.8 percent (or KSh 50.3 billion); transport and communication 11.8 percent (or KSh 40.2 billion); business services 10.2 percent (or KSh 34.7

billion); finance & insurance 6.5 percent (or KSh 22.1 billion); agriculture 4.4 percent (or KSh. 14.9 billion); consumer durables 4.1 percent (or KSh 13.8 billion); and building and construction 3.6 percent (or KSh. 12.3 billion). Mining activities and other activities repaid KSh 0.9 billion and KSh 53.8 billion respectively (Chart 2B).

CHART 2B: SHARE OF CREDIT TO THE PRIVATE SECTOR IN THE TWELVE MONTHS TO JANUARY 2015 (Ksh billion)



Source: Central Bank of Kenya

Reserve Money

Reserve money (RM) comprises currency held by the non-bank public and commercial banks reserves (comprising deposits at the Central Bank and cash in their tills). It increased by 15.8 percent in the year to January 2015 compared with 10.3 percent growth in January 2014 (Table 2.3 and Chart 2C). At KSh 350.2 billion in January 2015, reserve money was KSh 11.9 billion above the respective target. The growth in reserve money reflected 24.1 percent increase in bank reserves and 10.0 percent increase in currency outside banks.

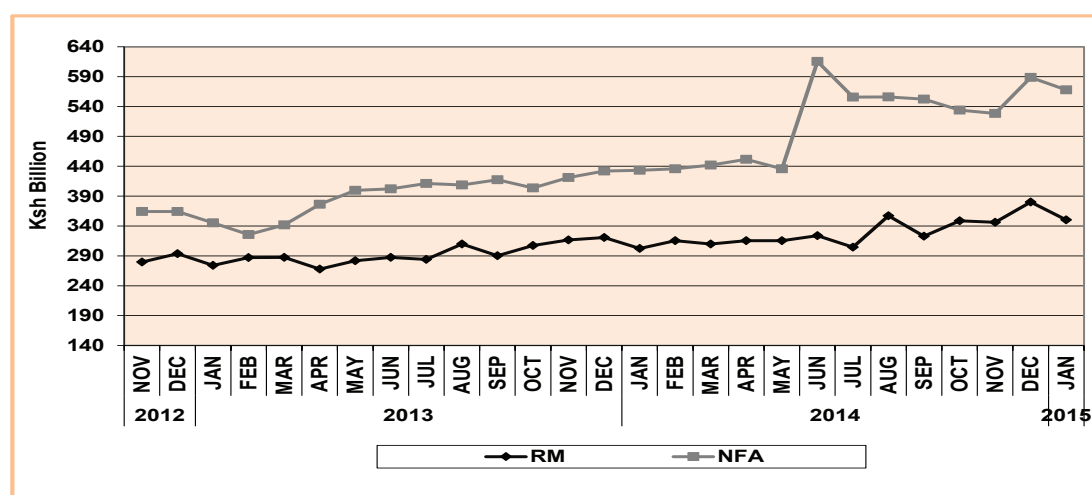
TABLE 2.3: RESERVE MONEY AND ITS SOURCES (Ksh billion)

	2013	2014	2015	Absolute change		Change (%)		2015	
	January	January	January	2013/14	2014/15	2013/14	2014/15	January Target	
1. Net Foreign Assets	345.1	433.3	567.8	88.2	134.5	25.5	31.0	597.1	-29.3
2. Net Domestic Assets	-71.1	-131.0	-217.6	-59.9	-86.6	84.2	66.1	-258.8	41.1
2.1 Government Borrowing (net)	29.8	-16.7	-105.4	-46.5	-88.7			-61.0	-44.4
2.2 Commercial banks (net)	-15.0	0.0	0.0	15.0	0.0			-42.7	42.7
2.3 Other Domestic Assets (net)	-88.3	-118.1	-115.9	-29.9	2.2			-159.0	43.1
3. Reserve Money	274.0	302.3	350.2	28.3	47.8	10.3	15.8	338.3	11.9
3.1 Currency outside banks	142.1	157.3	170.1	15.1	12.8	10.6	8.1	166.9	3.2
3.2 Bank reserves	131.9	145.1	180.1	13.2	35.0	10.0	24.1	171.4	8.7

Source: Central Bank of Kenya

The accumulation of NFA at the Central Bank, which largely was the main source of reserve money growth in the year to January 2015 reflected receipt of proceeds of the June 2014 and December 2014 Sovereign Bond issuance. These Bond proceeds provided a reasonable buffer in gross foreign exchange reserves above the statutory minimum requirements of 4 months of imports of goods and non-factor services.

CHART 2C: TRENDS IN RESERVE MONEY AND NET FOREIGN ASSETS



Source: Central Bank of Kenya

The NDA of the Central Bank decreased by KSh 86.6 billion to KSh -217.6 billion from KSh -131.0 billion in January 2014 on account of accumulation of Government deposits.

Central Bank Rates The Monetary Policy Committee maintained the Central Bank Rate (CBR) at 8.50 percent on January 14, 2015 in order to continue anchoring inflationary expectations.

Short Term Interest Rates Short term interest rates increased marginally in January 2015 (Table 2.4 and Chart 2D). The weighted average interbank rate increased to 7.12 percent in January 2015 from 6.91 percent in December 2014. The 91-day Treasury bill rate, which largely reflects the government's borrowing profile, stabilized at 8.59 percent in January 2015 compared to 8.58 percent in December 2014 while, the 182-day Treasury bill rate increased to 10.19 percent in January 2015 from 9.49 percent.

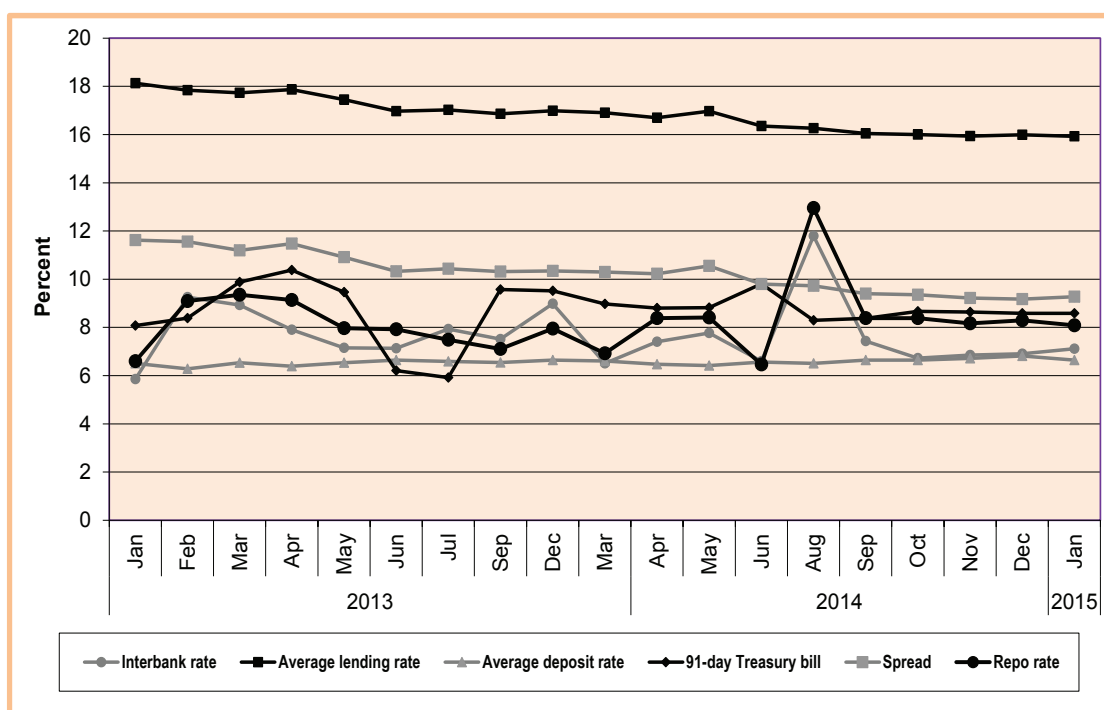
Lending and Deposit Rates The average lending rate declined marginally to 15.93 percent in January 2015 from 15.99 percent in December 2014, while the average deposit rate declined to 6.65 percent in January 2015 from 6.91 percent in December 2014. Consequently, the interest rate spread increased to 9.28 percent from 9.18 percent in December 2014 (Table 2.4 and Chart 2D).

TABLE 2.4: INTEREST RATES (%)

	2014									2015
	Jan	Mar	Apr	May	June	Sep	Oct	Nov	Dec	Jan
91-day Treasury bill rate	9.26	8.98	8.80	8.82	9.81	8.38	8.67	8.64	8.58	8.59
Overdraft rate	16.82	16.44	16.44	17.85	15.88	15.79	15.77	15.66	15.86	15.95
Interbank rate	10.43	6.47	7.40	7.76	6.60	7.43	6.73	6.86	6.91	7.12
Repo rate	-	6.92	8.39	8.42	6.46	8.39	8.39	8.17	8.29	8.08
Reverse Repo rate	-	-	-	-	-	-	-	-		
Central Bank Rate (CBR)	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Average lending rate (1)	17.03	16.91	16.70	16.97	16.36	16.04	16.00	15.94	15.99	15.93
Average deposit rate (2)	6.55	6.61	6.48	6.42	6.56	6.64	6.64	6.72	6.81	6.65
Over 3 months deposit	9.39	10.02	9.63	9.65	10.05	9.96	9.80	10.51	9.84	9.84
Savings deposits	1.56	1.56	1.53	1.54	1.50	1.51	1.55	1.57	1.85	1.58
Spread (1-2)	10.48	10.30	10.23	10.55	9.80	9.40	9.36	9.22	9.18	9.28

Source: Central Bank of Kenya

CHART 2D : TRENDS IN INTEREST RATES



Source: Central Bank of Kenya

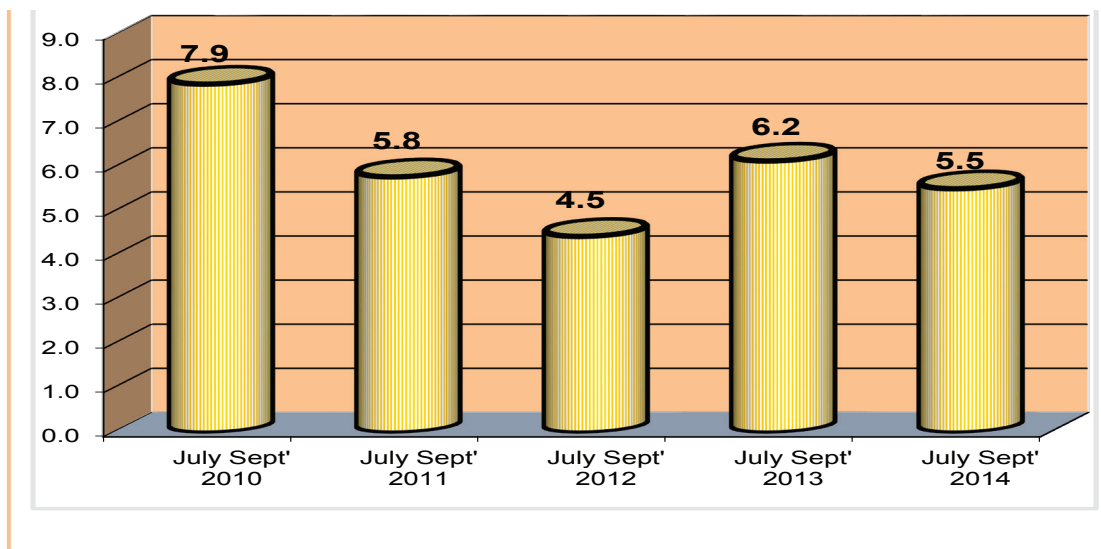
PERFORMANCE OF THE REAL SECTOR

Overview Real GDP in 2013 grew by 5.7 percent and amounted to Ksh 3.64 trillion compared with 4.5 percent growth in 2012 (Table 3.1). The real GDP is estimated to have increased by 4.5 percent in the first quarter of 2014, 5.7 percent in the second quarter and 5.5 percent in the third quarter (Chart 3A) compared with growth of 6.3 percent, 7.3 percent and 6.2 percent in comparable quarters of 2013. Growth in the first three quarters of 2014 was largely supported by improved performance in construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture sectors.

TABLE 3.1: GROSS DOMESTIC PRODUCT BY ACTIVITY (Constant 2001 Prices, Ksh)

Main Sectors	Share in 2013 Nominal GDP (%)	Share in 2013 Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013*
Agriculture, forestry and fishing	26.27	22.40	685,710	720,612	684,702	668,969	736,195	753,598	775,799	815,087
Mining and quarrying	0.81	0.85	13,849	16,289	16,296	18,134	23,884	28,428	33,830	30,795
Manufacturing	10.43	11.12	327,918	342,267	346,177	342,532	357,958	383,891	381,942	404,502
Electricity supply	1.06	1.54	34,035	39,792	36,947	39,162	40,545	45,949	52,187	56,045
Water supply; sewerage, waste management	0.87	0.83	22,769	22,558	22,885	24,869	27,493	28,489	29,390	30,270
Construction	4.46	4.48	89,513	97,119	95,474	112,219	133,647	139,033	154,621	163,075
Wholesale and retail trade; repairs	7.85	7.63	172,625	186,328	189,326	200,032	219,221	237,516	254,231	277,699
Transport and storage	7.38	6.62	173,502	185,955	191,536	205,774	215,970	231,340	237,734	240,764
Hotels and restaurants	1.23	1.44	50,040	57,300	39,471	51,510	51,238	53,333	54,972	52,441
Information and communication	1.44	3.36	51,720	61,952	67,574	73,691	86,492	105,483	107,773	122,310
Financial and insurance activities	6.58	5.89	133,353	139,918	146,815	150,411	176,968	185,206	196,265	214,497
Real estate	7.89	8.10	214,219	224,439	235,102	246,546	258,953	272,055	283,061	294,747
Professional, scientific and technical activities	0.99	1.06	26,509	29,836	31,343	33,085	34,092	34,628	36,440	38,553
Administrative and support service activities	1.20	1.33	40,829	43,849	39,645	44,151	45,422	46,546	47,619	48,303
Public administration and defence	4.80	3.88	109,013	111,635	119,363	127,807	129,710	132,986	140,851	141,198
Education	5.43	6.92	145,223	154,720	168,955	177,993	196,171	210,958	235,476	251,650
Human health and social work activities	1.58	1.72	50,447	53,561	56,076	58,686	62,345	60,723	58,761	62,752
Arts, entertainment and recreation	0.14	0.14	3,887	3,951	3,945	4,326	4,853	5,026	4,892	5,076
Other service activities	0.62	0.67	20,144	20,703	21,004	20,885	21,618	21,853	22,732	24,294
Activities of households as employers	0.54	0.51	16,623	16,873	17,126	17,383	17,643	17,908	18,177	18,449
FISIM	-2.57	-2.40	-49,597	-51,383	-53,675	-59,373	-68,827	-75,076	-82,648	-87,358
All economic activities	89.00	88.08	2,332,335	2,478,274	2,476,088	2,558,791	2,771,591	2,919,872	3,044,104	3,205,148
Taxes on products	11.00	11.92	255,944	287,322	295,931	304,896	332,810	374,582	397,028	433,613
GDP at market prices	100.00	100.00	2,588,279	2,765,595	2,772,019	2,863,688	3,104,401	3,294,454	3,441,132	3,638,761
Annual Growth Rates in Percent										
	Share in 2013 Nominal GDP (%)	Share in 2013 Real GDP (%)	2006	2007	2008	2009	2010	2011	2012	2013*
Agriculture, forestry and fishing	26.27	22.40	...	5.1	-5.0	-2.3	10.0	2.4	2.9	5.1
Mining and quarrying	0.81	0.85	...	17.6	0.0	11.3	31.7	19.0	19.0	-9.0
Manufacturing	10.43	11.12	...	4.4	1.1	-1.1	4.5	7.2	-0.5	5.9
Electricity supply	1.06	1.54	...	16.9	-7.1	6.0	3.5	13.3	13.6	7.4
Water supply; sewerage, waste management	0.87	0.83	...	-0.9	1.4	8.7	10.6	3.6	3.2	3.0
Construction	4.46	4.48	...	8.5	-1.7	17.5	19.1	4.0	11.2	5.5
Wholesale and retail trade; repairs	7.85	7.63	...	7.9	1.6	5.7	9.6	8.3	7.0	9.2
Transport and storage	7.38	6.62	...	7.2	3.0	7.4	5.0	7.1	2.8	1.3
Hotels and restaurants	1.23	1.44	...	14.5	-31.1	30.5	-0.5	4.1	3.1	-4.6
Information and communication	1.44	3.36	...	19.8	9.1	9.1	17.4	22.0	2.2	13.5
Financial and insurance activities	6.58	5.89	...	4.9	4.9	2.4	17.7	4.7	6.0	9.3
Real estate	7.89	8.10	...	4.8	4.8	4.9	5.0	5.1	4.0	4.1
Professional, scientific and technical activities	0.99	1.06	...	12.6	5.1	5.6	3.0	1.6	5.2	5.8
Administrative and support service activities	1.20	1.33	...	7.4	-9.6	11.4	2.9	2.5	2.3	1.4
Public administration and defence	4.80	3.88	...	2.4	6.9	7.1	1.5	2.5	5.9	0.2
Education	5.43	6.92	...	6.5	9.2	5.3	10.2	7.5	11.6	6.9
Human health and social work activities	1.58	1.72	...	6.2	4.7	4.7	6.2	-2.6	-3.2	6.8
Arts, entertainment and recreation	0.14	0.14	...	1.6	-0.2	9.7	12.2	3.6	-2.7	3.8
Other service activities	0.62	0.67	...	2.8	1.5	-0.6	3.5	1.1	4.0	6.9
Activities of households as employers	0.54	0.51	...	1.5	1.5	1.5	1.5	1.5	1.5	1.5
FISIM	-2.57	-2.40	...	3.6	4.5	10.6	15.9	9.1	10.1	5.7
All economic activities	89.00	88.08	...	6.3	-0.1	3.3	8.3	5.4	4.3	5.3
Taxes on products	11.00	11.92	...	12.3	3.0	3.0	9.2	12.6	6.0	9.2
GDP at market prices	100.00	100.00	...	6.9	0.2	3.3	8.4	6.1	4.5	5.7

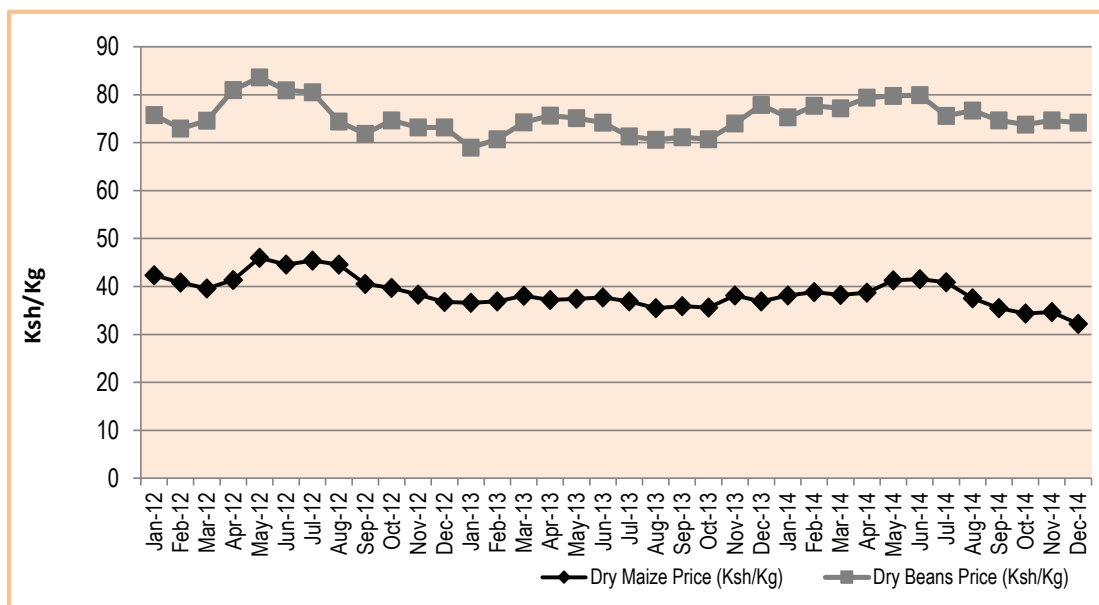
Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

CHART 3A: REAL GDP GROWTH IN THE JULY - SEPTEMBER QUARTERS

Source: Quarterly GDP Statistical Release, various issues, Kenya National Bureau of Statistics

Agriculture

Agriculture recorded 5.7 percent growth in the first quarter of 2014, 4.5 percent growth in the second quarter and 6.2 percent growth in the third quarter compared with 5.0 percent growth in the first quarter of 2013, 5.9 percent growth in the second quarter of 2013 and 5.8 percent growth in the third quarter. Improved weather conditions in the last quarter of 2014 resulted in reduced prices of food items such as maize and beans (Chart 3B).

CHART 3B: MOVEMENTS IN AVERAGE RETAIL PRICES FOR MAIZE & BEANS

Source: Kenya National Bureau of Statistics

Major Indicators in Agriculture

Indicators of agriculture performance in 2014 show mixed performance (Table 3.2). Among selected crops, growth in production of tea and horticulture slowed while production of coffee improved. Growth in production of milk declined in 2014.

TABLE 3.2: OUTPUT GROWTH OF MAJOR CROPS AND MILK

	Annual Totals		
	2012	2013	2014*
Tea			
Output (Metric tonnes)	369,562	432,453	445,106
Growth (%)	-2.2%	17.0%	2.9%
Horticulture			
Exports (Metric tonnes)	250,814	309,029	303,254
Growth (%)	5.1%	23.2%	-1.9%
Coffee			
Sales (Metric tonnes)	46,051	37,942	42,450
Growth (%)	53.6%	-17.6%	11.9%
Milk			
Output (million litres)	495	523	541
Growth %	-9.8%	5.6%	3.5%

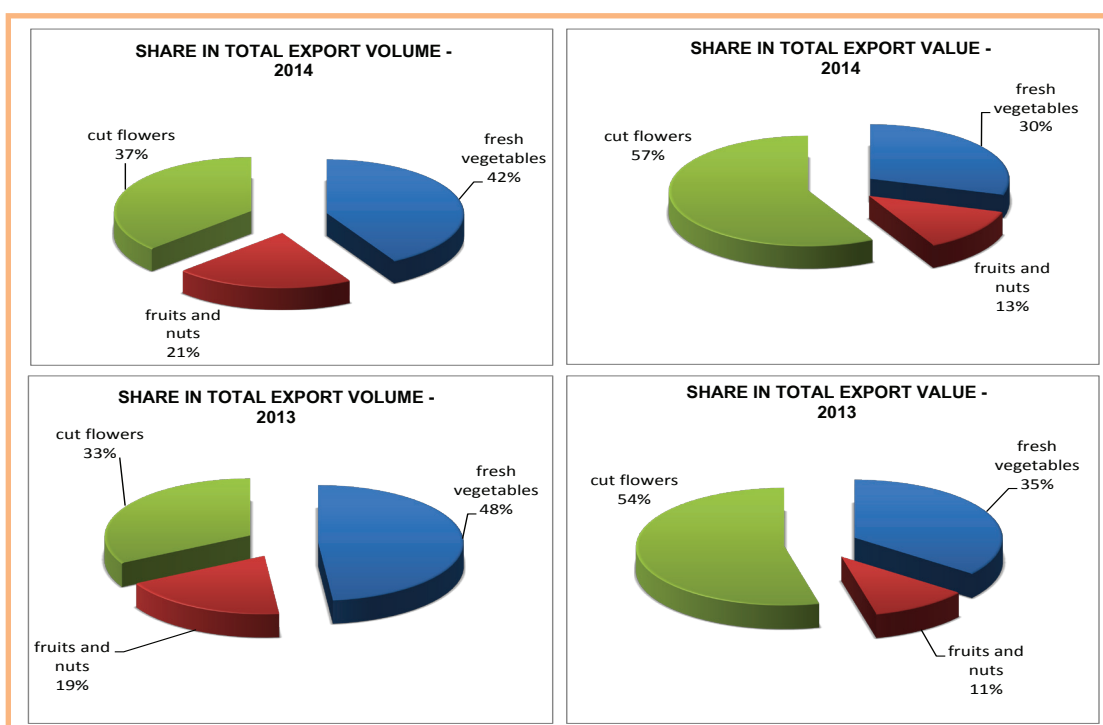
* Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Tea Growth in tea production slowed to 2.9 percent in 2014 from 17.0 percent recorded in 2013 (Table 3.2). The average auction price for tea declined from Ksh 218 per kilogram in 2013 to Ksh 190 per kilogram in 2014.

Horticulture Export of fresh horticultural products registered annual growth of 1.0 percent from 303,149 metric tonnes in the year to November 2013 to 306,299 metric tonnes in the year to November 2014. Exports of fresh vegetables dominated in terms of volume, while cut flowers brought in the largest contribution to total export value in the year to November 2014 (Table 3.2 and Chart 3C).

CHART 3C: HORTICULTURAL EXPORTS



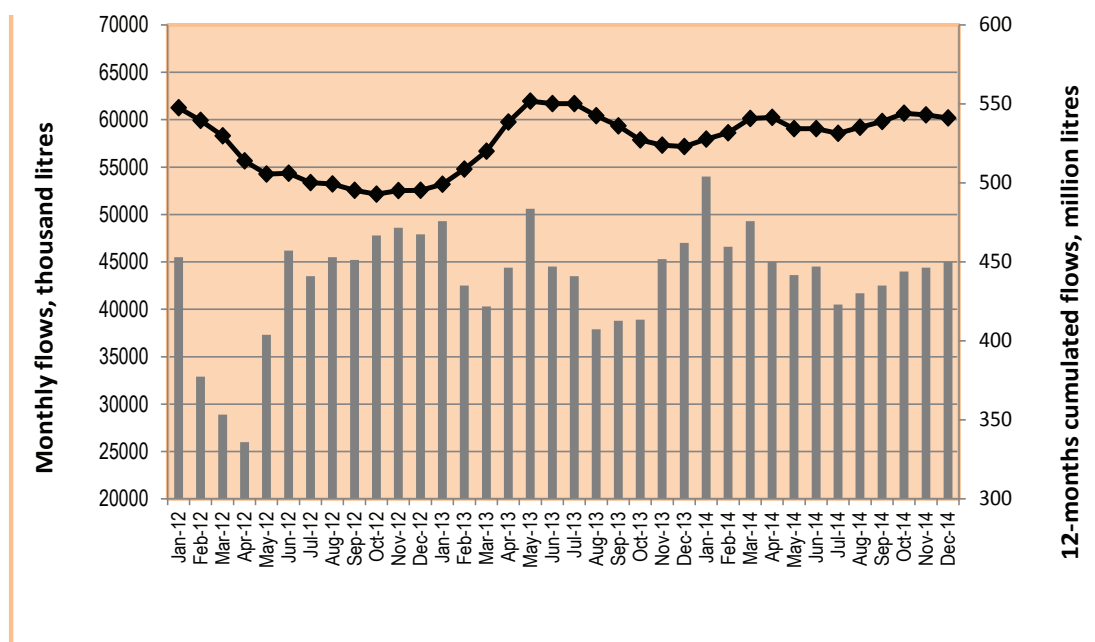
Source: Kenya Revenue Authority

Coffee

Annual growth in coffee sales improved to 11.9 percent in 2014 compared with 17.6 percent decline recorded in 2013. The average auction price for coffee also rose from Ksh 276 per kilogram in 2013 to Ksh 383 per kilogram in 2014.

Dairy

The volume of milk intake in the formal sector rose by 3.5 percent, to 544 million litres in 2014 (Chart 3D). The 12 month cumulative intake has maintained an upward trend since August 2014 largely reflecting improvement in monthly flows.

CHART 3D: PROCESSED MILK (LITRES)

Source: Kenya National Bureau of Statistics

Manufacturing Output from the manufacturing sector grew by 7.9 percent in the first quarter of 2014, 8.4 percent in the second quarter and 4.5 percent in the third quarter compared with growth of 9.6 percent, 6.3 percent and 6.8 percent in the first three quarters of 2013, respectively. Available indicators of performance of manufacturing sector in 2014 (Table 3.3 and Chart 3E), show acceleration in production of cement and assembled vehicles but contraction in the production of galvanized sheets. With local cement consumption below production level (Chart 3E), the industry continued to generate surplus for export.

TABLE 3.3: PRODUCTION OF SELECTED MANUFACTURED GOODS

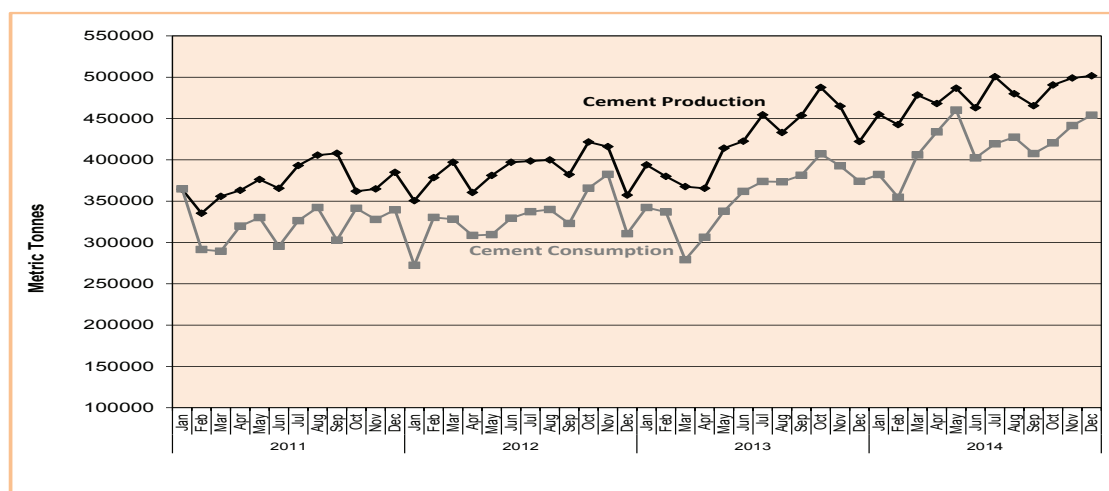
	Annual Totals		
	2012	2013	2014*
Cement production			
Output (MT)	4,639,723	5,059,129	5,730,640
Growth %	3.6%	9.0%	13.3%
Assembled vehicles			
Output (No.)	6,218	6,948	9,246
Growth %	2.8%	11.7%	33.1%
Galvanized sheets			
Output (MT)	255,815	305,152	282,088
Growth %	-4.6%	19.3%	-7.6%

MT = Metric tonnes

* Provisional

Source: Kenya National Bureau of Statistics

CHART 3E: CEMENT PRODUCTION AND CONSUMPTION



Source: Kenya National Bureau of Statistics

Energy Sector

Local generation of electricity slowed to 8.2 percent in 2014 from 8.9 percent in 2013 (Table 3.4). The total amount of electricity generated in 2014 was 8,889 million kilowatt hours compared with 8,217 million kilowatt hours generated in 2013. The supply in 2014 comprised 38.4 percent of hydro-electricity, 32.8 percent of geo-thermal power and 28.8 percent of thermal power. The increase in electricity production reflects accelerated generation of thermal and geo-thermal power (green energy) to 24.9 percent and 63.8 percent, respectively, in 2014 compared with 3.0 percent and 17.0 percent growth registered in 2013. Generation of hydro-electricity, however, decreased by 22.2 percent in 2014 from 8.8 percent growth in the previous year. Consumption of electricity improved in 2014, recording 13.0 percent growth compared with 4.5 percent in 2013; while growth in the consumption of fuels improved to 6.1 percent in 2014 compared with 3.0 percent decline in 2013. The average price of murban crude oil declined from US\$ 110.1 per barrel in the 2013 to US\$ 99.5 per barrel in 2014.

TABLE 3.4: ENERGY SECTOR PERFORMANCE

	2012	2013	2014*
Electricity Supply (Generation)			
Output (million KWH)	7,544	8,217	8,889
Growth %	5.4%	8.9%	8.2%
Of which:			
Hydro-power Generation (million KWH)	4,032	4,387	3,411
Growth (%)	26.6%	8.8%	-22.2%
Geo-Thermal Generation (million KWH)	1,522	1,781	2,917
Growth (%)	5.4%	17.0%	63.8%
Thermal (million KWH)	1,990	2,049	2,561
Growth (%)	-21.4%	3.0%	24.9%
Consumption of electricity (million KWH)	6,270	6,552	7,406
Growth %	1.9%	4.5%	13.0%
Consumption of Fuels ('000 tonnes)	3,764	3,650	3,873
Growth %	6.2%	-3.0%	6.1%
Murban crude oil average price (US \$ per barrel)	113.0	110.1	99.5
Growth %	2.1%	-2.5%	-9.7%

* Provisional

Source: Kenya National Bureau of Statistics

Tourism

The number of tourist arrivals declined by 14.8 percent in the year to November 2014 (Table 3.5) compared with a decline of 11.5 percent in the year to November 2013. The unfavourable performance is attributed to adverse travel advisories from source countries regarding insecurity in Kenya. The ports of disembarkation for tourists remained Jomo Kenyatta International Airport Nairobi (84.2 percent share), and the Moi International Airport, Mombasa (15.8 percent share).

TABLE 3.5: TOURIST ARRIVALS BY POINT OF ENTRY

	2012	2013	Year to November 2013	Year to November 2014	Year to November 2014 % Share	Year to November 2014 % Growth
MIAM	187,151	189,654	187,785	146,899	15.8%	-21.8%
JKIA	1,048,390	912,998	901,849	781,687	84.2%	-13.3%
TOTAL	1,235,541	1,102,652	1,089,634	928,586	100.0%	-14.8%

Source: Kenya Tourist Board

Transport

The total number of passengers (both incoming and outgoing) received at the Jomo Kenyatta International Airport, Nairobi (JKIA) declined by 1.8 percent in the year to November 2014, compared with a decline of 0.1 percent recorded in the previous year. The decline is reflected in both incoming and outgoing passengers (Table 3.6).

TABLE 3.6: THROUGHPUT IN SELECTED TRANSPORT FACILITIES

			Year to November 13*	Year to November 14*
	2012	2013*		
Number of Passengers thro' JKIA				
Total passenger flows	4,302,244	4,290,349	4,301,947	4,224,710
Growth (%)	4.0%	-0.3%	-0.1%	-1.8%
o.w. Incoming	2,148,105	2,144,002	2,149,824	2,099,578
Growth (%)	2.8%	-0.2%	-0.1%	-2.3%
Outgoing	2,154,139	2,146,347	2,152,123	2,125,132
Growth %	5.3%	-0.4%	-0.2%	-1.3%
* Provisional				

Source: Kenya National Bureau of Statistics

DEVELOPMENTS IN THE BALANCE OF PAYMENTS AND EXCHANGE RATES

Overview The overall Balance of Payments surplus deteriorated to USD 1,024 million in the year to January 2015 from a surplus of USD 1,110 million in the year to January 2014 (Table 4.1). The deterioration reflects wholly in the USD 889.8 million widening of the deficit in the current account which more than offset the USD 803.8 million improvement in the capital and financial account surplus.

TABLE 4.1: BALANCE OF PAYMENTS (US\$ M)

ITEM	Year to Jan 2014*	Year to January 2015*				Year to Jan 2015*	Change	% Change
		Q1 Feb-Apr	Q2 May-July	Q3 Aug-Oct	Q4 Nov-Jan			
1. OVERALL BALANCE	1110	159	1376	-283	-227	1024	-86.0	-7.7
2. CURRENT ACCOUNT	-4644	-882	-1266	-2061	-1324	-5533	-889.8	19.2
2.1 Goods	-11207	-2472	-3172	-3749	-2894	-12288	-1080.0	9.6
Exports (fob)	5783	1624	1542	1449	1382	5997	214.1	3.7
Imports (cif)	16990	4096	4714	5198	4277	18285	1294.2	7.6
2.2 Services	6564	1590	1906	1688	1570	6754	190.3	2.9
Non-factor services (net)	3736	1054	1227	949	1008	4239	502.9	13.5
Income (net)	-319	-33	-120	-69	-109	-331	-12.8	4.0
Current Transfers (net)	3146	569	799	808	670	2847	-299.9	-9.5
3. CAPITAL & FINANCIAL ACCOUNT	5754	1041	2643	1778	1097	6558	803.8	14.0
3.1 Capital Transfers (net)	92	66	94	47	16	222	130.7	142.6
3.2 Financial Account	5662	975	2549	1731	1081	6335	673.1	11.9
memo:								
Gross Reserves	8519	8586	10029	9400	9620	9620	1101.2	12.9
Official	6612	6757	8128	7839	7593	7593	981.1	14.8
import cover**	4.3	4.5	5.2	4.8	4.6	4.6	0.3	6.9
import cover***	4.5	4.5	5.4	5.1	4.9	4.9	0.4	8.3
Commercial Banks	1907	1829	1902	1561	2027	2027	120.0	6.3

* Provisional.

** Based on current year's imports of goods and non-factor services

*** Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Current Account

The current account balance worsened by USD 889.8 million to a deficit of USD 5,533 million in the year to January 2015 from a deficit USD 4,644 million in the year to January 2014. The deterioration reflects a 9.6 percent worsening of the merchandise account deficit. However, the surplus in the services account improved by 2.9 percent. (Table 4.2).

TABLE 4.2: BALANCE ON CURRENT ACCOUNT (US\$ M)

ITEM	Year to Jan 2014*	Year to January 2015*				Year to Jan 2015*	Change	% Change
		Q1 Feb-Apr	Q2 May-July	Q3 Aug-Oct	Q4 Nov-Jan			
2. CURRENT ACCOUNT	-4644	-882	-1266	-2061	-1324	-5533	-889.8	19.2
2.1 Goods	-11207	-2472	-3172	-3749	-2894	-12288	-1080.0	9.6
Exports (fob)	5783	1624	1542	1449	1382	5997	214.1	3.7
Coffee	191	56	75	55	47	234	42.3	22.1
Tea	1186	266	269	255	270	1060	-125.2	-10.6
Horticulture	751	213	209	197	181	801	50.1	6.7
Oil products	48	16	7	25	22	70	22.9	48.1
Manufactured Goods	705	165	127	156	127	575	-130.2	-18.5
Raw Materials	405	134	117	107	107	465	59.7	14.7
Chemicals and Related Products (n.e.s)	470	119	104	119	99	441	-29.6	-6.3
Miscellaneous Man. Articles	591	161	155	165	154	634	43.6	7.4
Re-exports	552	281	267	151	169	867	315.3	57.1
Other	884	213	212	218	207	849	-34.6	-3.9
Imports (cif)	16990	4096	4714	5198	4277	18285	1294.2	7.6
Oil	3841	985	1105	1024	779	3893	51.6	1.3
Chemicals	2292	565	573	583	688	2409	116.8	5.1
Manufactured Goods	2626	630	665	698	670	2663	36.3	1.4
Machinery & Transport Equipment	4606	1185	1557	2057	1321	6119	1512.9	32.8
Other	3500	713	794	757	713	2977	-522.6	-14.9
2.2 Services	6564	1590	1906	1688	1570	6754	190.3	2.9
Non-factor services (net)	3736	1054	1227	949	1008	4239	502.9	13.5
Non-factor services (credit)	4996	1341	1523	1315	1391	5569	573.1	11.5
of which transport	2204	516	577	542	509	2145	-59.7	-2.7
of which tourism (Travel)	872	187	208	205	209	809	-63.4	-7.3
Other services account: gov't	944	233	238	172	237	879	-65.3	-6.9
Other services account: private	975	406	499	396	436	1737	761.6	78.1
Income (net)	-319	-33	-120	-69	-109	-331	-12.8	4.0
of which official interest	-118	-23	-85	-44	-95	-247	-128.8	108.9
Current Transfers (net)	3146	569	799	808	670	2847	-299.9	-9.5
Private (net)	2969	574	804	813	675	2866	-102.9	-3.5
of which Remittances	1299	343	353	377	359	1432	133.6	10.3
Public (net)	178	-5	-5	-5	-5	-19	-197.0	-110.9

* Provisional.

Source: Central Bank of Kenya

Merchandise Account The deficit in the merchandise account worsened by USD 1,080 million to USD 12,288 million in the year to January 2015 reflecting a larger growth (7.6 percent) in the value of merchandise imports relative to the value of merchandise exports, which improved by 3.7 percent (Table 4.2).

Imports The value of merchandise imports increased by USD 1,294.2 million to USD 18,285 million in the year to January 2015, reflecting increase in imports of oil, chemicals, manufactured goods and machinery and transport equipment. The 32.8 percent increase in the value of Imports of machinery and transport equipment increased by 32.8 percent largely in industrial transport equipment component, while oil imports increased by 1.3 percent largely on account of imports of jet fuel and diesel oil.

Kenya sourced most of her imports from India (17 percent), China (16 percent) and USA (11 percent). The rise in imports from the USA is comprised importation of Aircraft. Imports from Africa accounted for 9 percent of total imports and declined marginally by USD 36 million to USD 1,661 million (Table 4.3).

Exports The value of merchandise exports increased by USD 214.1 million to USD 5,997 million in the year to January 2015 reflecting increased earnings from coffee, horticulture, oil products, raw materials, miscellaneous manufactured articles and re-exports. Increased value of re-exports by 57.1 percent was mainly on account of re-exportation of mineral fuels. However, receipts from tea, manufactured goods, chemicals and related products declined. The decline in tea exports was attributed to lower commodity prices, while decline in manufactured goods and chemicals was on account of reduced exports to the EAC region.

The value and share of Kenya's exports to Africa declined in the year to January 2015 (Table 4.3) largely reflecting decrease in exports to the EAC and COMESA region on account of a drop in exports to Uganda, Tanzania and Rwanda. Exports to the rest of the world, and in particular, to the European Union and the USA increased.

The trends in market shares by source and destination showed mixed performance in the year to January 2015. In particular, the share of Kenya's imports from the EU stabilised for the third consecutive year at 14 percent, while that from China increased to 16 percent from 13 percent in the twelve months to January 2014. The rise is largely attributed to imports of machinery, textiles, metal, plastics and rubbers. However, the share of exports to China stabilized at 1 percent while to the EU the share of exports increased to 23 percent share from 21 percent in the year to January 2014.

TABLE 4.3: KENYA'S DIRECTION OF TRADE

IMPORTS (in millions of US dollars)				Share of Exports (%)			EXPORTS (in millions of US dollars)				Share of Exports (%)		
Country	Year to January			Year to January			Country	Year to January			Year to January		
	2013	2014	2015	2013	2014	2015		2013	2014	2015	2013	2014	2015
Africa	1,696	1,697	1,661	10	10	9	Africa	2,944	2,672	2,631	47	46	44
<i>Of which</i>							<i>Of which</i>						
South Africa	730	843	710	4	5	4	Uganda	786	773	597	13	13	10
Egypt	368	285	292	2	2	2	Tanzania	554	468	461	9	8	8
Others	598	569	660	4	3	4	Egypt	252	190	192	4	3	3
EAC	370	332	424	2	2	2	Sudan	63	75	76	1	1	1
COMESA	748	648	687	4	4	4	South Sudan	197	182	218	3	3	4
Rest of the World	15,380	15,293	16,624	90	90	91	Somalia	228	189	144	4	3	2
<i>Of which</i>							DRC	222	212	237	4	4	4
India	2,468	2,885	3,088	14	17	17	Rwanda	192	158	150	3	3	3
United Arab Emirates	1,788	1,339	1,126	10	8	6	Others	449	425	557	7	7	9
China	1,995	2,125	2,904	12	13	16	EAC	1,598	1,463	1,293	26	25	22
Japan	768	1,004	942	4	6	5	COMESA	1,844	1,712	1,600	30	30	27
USA	820	655	1,956	5	4	11	Rest of the World	3,281	3,111	3,366	53	54	56
United Kingdom	539	582	501	3	3	3	<i>Of which</i>						
Singapore	160	202	159	1	1	1	United Kingdom	487	429	408	8	7	7
Germany	494	451	530	3	3	3	Netherlands	369	389	448	6	7	7
Saudi Arabia	759	509	687	4	3	4	USA	316	353	437	5	6	7
Indonesia	633	519	547	4	3	3	Pakistan	268	268	248	4	5	4
Netherlands	214	283	216	1	2	1	United Arab Emirates	351	284	217	6	5	4
France	318	238	246	2	1	1	Germany	116	98	122	2	2	2
Bahrain	259	500	351	2	3	2	India	87	111	95	1	2	2
Italy	242	245	228	1	1	1	Afghanistan	135	181	122	2	3	2
Others	3,922	3,757	3,141	23	22	17	Others	1,152	998	1,269	19	17	21
Total	17,076	16,990	18,285	100	100	100	Total	6,224	5,783	5,997	100	100	100
EU	2,472	2,449	2,486	14	14	14	EU	1,291	1,223	1,359	21	21	23
China	1,995	2,125	2,904	12	13	16	China	63	51	78	1	1	1

Source: Kenya Revenue Authority

Services Account

The services account recorded a surplus of USD 190.3 million or 2.9 percent to USD 6,754 million in the year to January 2015 from USD 6,564 million in the year to January 2014. The improvement reflects increases in receipts from non-factor services, which rose to USD 5,569 million driven by increased receipts from other private services (insurance and communication services; royalties and licence fees). The deficit in the income account deteriorated by USD 12.8 million in the year to January 2015 to USD 331 million and the surplus in the current transfers account also decreased by USD 299.9 million to USD 2,847 million with the decline reflected in net private transfers (USD 102.9 million) and USD 197 million in net public transfers. However, remittance inflows (under private transfers) increased by USD 133.6 million to USD 1,432 million during the year to January 2015 from USD 1,299 million during the year to January 2014 (Table 4.2). Remittance inflows were resilient with the 12 month average to January 2015 increasing to USD 119.3 million from an average of USD 108.2 million in January 2014.

Capital and Financial Account

The capital and financial account surplus at USD 6,558 million the year to January 2015 was 14 percent larger compared to USD 5,754 million in the year to January 2014. The improvement largely reflects 11.9 percent rise in the financial account surplus on the back of increased inflows of official medium to long-term financial flows.

Official medium and long-term financial inflows improved by USD 1,339.7 million in the year to January 2015 and this was attributed to issuance of the Euro bond of USD 2 billion in June 2014 and a tap sale on the same bond in December 2014 amounting to USD 750 million. However, outflows under this component were substantial and partially offsetting at USD 1,577.9 million.

Commercial bank flows declined from USD 512 million in the year to January 2014 to USD 506 million in the year to January 2015. The decline in the flows was on account of an increase in foreign assets of Commercial Banks comprising of loans advanced to non-residents and shares and other equity. Short term flows (including net errors and omissions) also decreased by USD 429.6 million during the period under review.

TABLE 4.4.: BALANCE ON CAPITAL AND FINANCIAL ACCOUNT (US\$ M)

ITEM	Year to Jan 2014*	Year to January 2015*				Year to Jan 2015*	Change	% Change
		Q1 Feb-Apr	Q2 May-July	Q3 Aug-Oct	Q4 Nov-Jan			
3. CAPITAL & FINANCIAL ACCOUNT	5754	1041	2643	1778	1097	6558	803.8	14.0
3.1 Capital Transfers (net)	92	66	94	47	16	222	130.7	142.6
3.2 Financial Account	5662	975	2549	1731	1081	6335	673.1	11.9
Official, medium & long-term	574	234	945	48	686	1914	1339.7	233.4
Inflows	916	346	2192	207	1088	3833	2917.6	318.6
Outflows	-342	-111	-1247	-159	-402	-1920	-1577.9	461.5
Private, medium & long-term (net)	370	101	-75	338	-232	133	-236.9	-64.1
Commercial Banks (net)	512	172	54	537	-257	506	-6.1	-1.2
Other private medium & long-term (net)	-143	-71	-129	-199	25	-374	-230.8	161.8
Short-term (net) incl. errors & omissions	4719	639	1679	1345	627	4289	-429.6	-9.1

* Provisional.

Source: Central Bank of Kenya

Foreign Exchange Reserves

The banking system's total foreign exchange holdings increased to USD 9,620 million in January 2015 from USD 8,519 million in 2014. Official reserves held by the Central Bank constituted the bulk of gross reserves and increased to USD 7,593 million (4.9 months of import cover) at the end of January 2015 from USD 6,612 million (4.5 months of import cover) at the end of January 2014. The build-up in foreign exchange reserves during the period was largely attributed to proceeds received from the sale of the Eurobond in June 2014 and the tap sale in December 2014. Foreign exchange reserves held by Commercial Banks increased to USD 2,027 million at the end of January 2015 from USD 1,907 million at the end of January 2014. During the same period, residents' foreign currency deposits increased to USD 4,243 million from USD 3,938 million (Table 4.5).

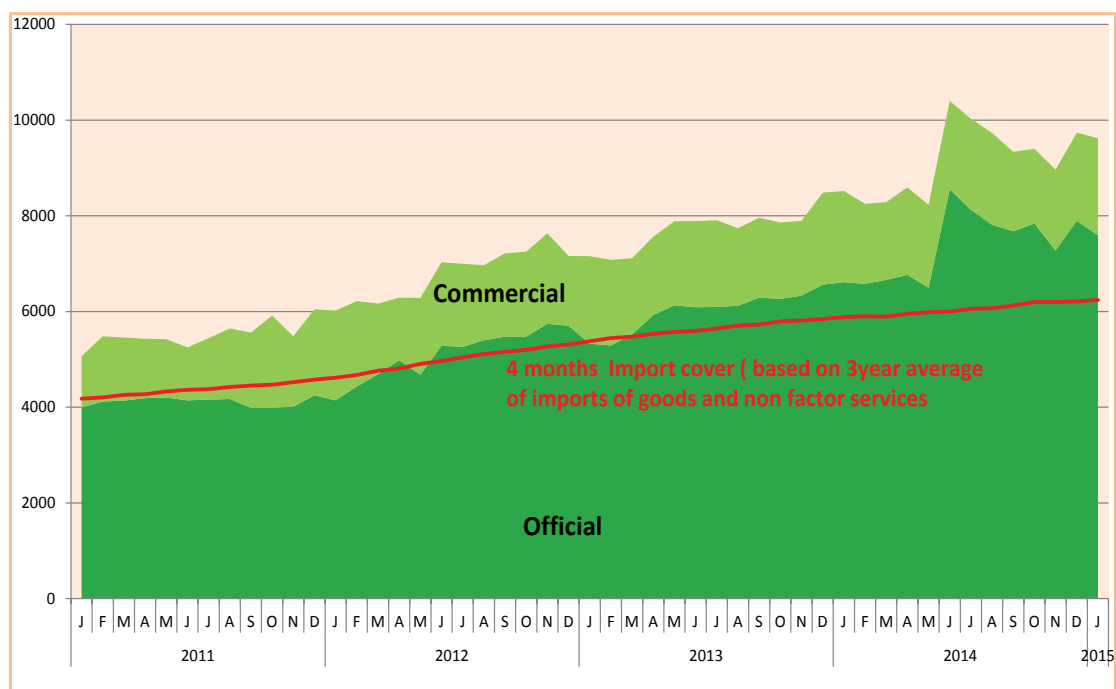
TABLE 4.5: FOREIGN EXCHANGE RESERVES AND RESIDENTS' FOREIGN CURRENCY DEPOSITS (END OF PERIOD, US\$ MILLION)

	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15
1. Gross Reserves	8,483	8,519	8,250	8,285	8,594	8,230	10,399	10,029	9,731	9,336	9,400	8,964	9,738	9,620
of which:														
Official	6,560	6,612	6,578	6,660	6,765	6,498	8,555	8,128	7,814	7,676	7,839	7,274	7,895	7,593
import cover**	4.5	4.5	4.5	4.5	4.5	4.3	5.7	5.4	5.1	5.0	5.1	4.7	5.1	4.9
Commercial Banks	1,923	1,907	1,672	1,625	1,829	1,732	1,844	1,902	1,917	1,659	1,561	1,691	1,843	2,027
2. Residents' foreign currency deposits	3,909	3,938	3,562	3,636	3,833	3,805	3,776	4,084	4,292	4,148	4,101	4,037	4,080	4,243

**Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

CHART 4A: FOREIGN EXCHANGE RESERVES (US\$ MILLION)



Source: Central Bank of Kenya

Exchange Rates

The Kenya Shilling weakened against the US Dollar and the Japanese Yen by 1.01 percent and 1.84 percent, respectively but strengthened against the Pound Sterling and the Euro by 2.09 percent and 4.67 percent respectively in January 2015. Performance of the Shilling against major world currencies is a reflection of international developments (the strengthening of US Dollar against major world currencies) and high dollar demand from importers.

In the EAC region, the Kenya shilling strengthened against the Uganda and Tanzania shillings but weakened against the Rwanda and Burundi Francs (Table 4.6 and Chart 4D).

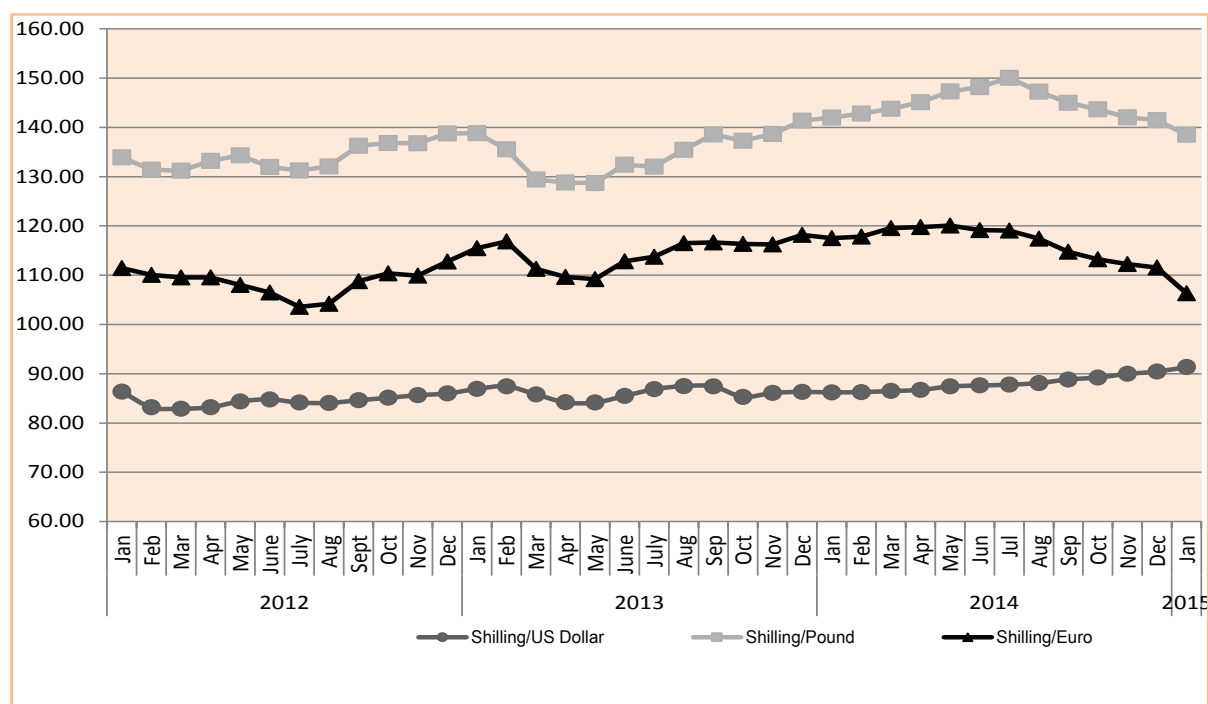
TABLE 4.6: KENYA SHILLING EXCHANGE RATE

	2014												2015	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	% change December 2014 - January 2015
US Dollar	86.21	86.28	86.49	86.72	87.41	87.61	87.77	88.11	88.84	89.23	89.96	90.44	91.36	1.01
Pound Sterling	141.99	142.81	143.76	145.08	147.29	148.15	150.04	147.24	144.99	143.66	142.05	141.45	138.49	-2.09
Euro	117.50	117.81	119.58	119.78	120.09	119.16	119.02	117.40	114.74	113.21	112.28	111.52	106.32	-4.67
100 Japanese Yen	82.92	84.52	84.58	84.59	85.84	85.88	86.32	85.63	82.90	82.62	77.53	75.79	77.19	1.84
Uganda Shilling*	29.00	28.61	29.27	29.19	28.97	29.44	29.97	29.66	29.47	30.03	30.37	30.62	31.29	2.18
Tanzania Shilling*	18.68	18.82	18.88	18.86	18.92	19.18	18.97	18.89	18.78	18.96	19.16	19.11	19.39	1.50
Rwanda Franc*	7.85	7.87	7.85	7.82	7.76	7.74	7.76	7.82	7.75	7.72	7.66	7.62	7.53	-1.08
Burundi Franc*	17.99	18.00	17.98	17.88	17.72	17.68	17.65	17.57	17.43	17.47	17.39	17.28	17.14	-0.84

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

CHART 4B: KENYA SHILLING EXCHANGE RATE



Source: Central Bank of Kenya

DEVELOPMENTS IN THE BANKING SECTOR

Overview The Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 10 microfinance banks, 8 representative offices of foreign banks, 87 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus as at January 31, 2015.

Structure of the Balance Sheet The banking sector balance sheet expanded by 19.1 percent from Ksh 2,747.2 billion in January 2014 to Ksh 3,273.1 billion in January 2015. The balance sheet components on the assets side included loans and advances, government securities and placements, which accounted for 58.6 percent, 20.9 percent and 5.9 percent of the total assets, respectively.

Loans & Advances The banking sector gross loans and advances increased from Ksh 1,624.3 billion in January 2014 to Ksh 1,988.7 billion in January 2015, which translated to a growth of 22.4 percent. This growth is attributed to increased lending to personal/households, trade, manufacturing, transport and communication and real estate sectors. Loans and advances net of provisions stood at Ksh 1,966.6 billion in January 2015, up from Ksh 1,607.3 billion registered in a similar period in 2014.

Deposit Liabilities Deposits from customers, which form the major source of funding for the banking sector, accounted for 71.7 percent of total liabilities. The deposit base expanded by 17.2 percent from Ksh 2,002.5 billion in January 2014 to Ksh 2,347.4 billion in January 2015 mainly supported by aggressive mobilization of deposits by banks, remittances inflows and receipts from exports.

Capital & Reserves The banking sector registered improved capital levels in January 2015 with total shareholders' funds growing by 17.0 percent from Ksh 447.1 billion in January 2014 to Ksh 523.0 billion in January 2015. Core capital and total capital increased from Ksh 376.4 billion and Ksh 442.1 billion to Ksh 450.9 billion and Ksh 538.1 billion, respectively over the same period. However, the ratio of core to total risk-weighted assets stabilised at 16.7 percent between the two periods, while the ratio of total capital to total risk-weighted assets increased from 19.6 percent in January 2014 to 20.0 percent in January 2015.

Non-performing Loans The value of gross non-performing loans (NPLs) grew by 25.9 percent, from Ksh 88.9 billion in January 2014 to Ksh 111.9 billion in January 2015. However, as a ratio to gross loans, NPLs increased marginally from 5.5 percent in January 2014 to 5.6 percent in January 2015. On the other hand, the coverage ratio, measured as a percentage of specific provisions to total NPLs remained constant at 40.2 percent between January 2014 and January 2015.

The quality of assets, measured as a proportion of net non-performing loans to gross loans remained at 2.7 percent in January 2014 and January 2015. A summary of asset quality for the banking sector over the period (Table 5.1)

**TABLE 5.1: NON-PERFORMING LOANS & PROVISIONS AMONG BANKS IN KENYA
(KSH BILLION)**

		14-Jan	15-Jan
1	Gross loans and advances (Kshs. Bn)	1,624.30	1,988.70
2	Interest in Suspense (Kshs. Bn)	17.00	22.10
3	Loans and advances (net of interest suspended) (Kshs. Bn)	1,607.30	1,966.60
4	Gross non-performing loans (Kshs. Bn)	88.90	111.90
5	Specific Provisions (Kshs. Bn)	28.90	36.10
6	General Provisions (Kshs. Bn)	13.10	14.00
7	Total Provisions (5+6) (Kshs. Bn)	42.10	50.10
8	Net Advances (3-7) (Kshs. Bn)	1,565.20	1,916.50
9	Total Non-Performing Loans and Advances (4-2) (Kshs. Bn)	72.00	89.70
10	Net Non-Performing Loans and Advances (9-5) (Kshs. Bn)	43.10	53.70
11	Total NPLs as % of total advances (9/3)	4.50%	4.60%
12	Net NPLs as % of gross advances (10/1)	2.70%	2.70%
13	Specific Provisions as % of Total NPLs (5/9)	40.20%	40.20%

Source: Central Bank of Kenya

Profitability The banking sector recorded a growth of 16.8 percent in pre-tax profits, from Ksh 10.7 billion in January 2014 to Ksh 12.5 billion as at end of January 2015. The annualised return on assets stabilised at 3.7 percent in January 2014 and January 2015. On the other hand, return on equity increased marginally to 28.8 percent from 28.7 percent over the same period. Total income increased marginally by 13.6 percent, from Ksh 32.3 billion in January 2013 to Ksh 36.7 billion in January 2015, while total expenses increased by 12.0 percent from Ksh 21.6 billion in January 2014 to Ksh 24.2 billion in January 2015. Interest on loans and advances, interest on government securities, fees and commissions were the major sources of income accounting for 62.4 percent, 15.2 percent and 14.8 percent of total income, respectively. On the other hand, interest on deposits, staff costs and other expenses were the key components of expenses, accounting for 36.1 percent, 27.2 percent and 20.3 percent, respectively.

Liquidity Ratio Requirement The average liquid assets in January 2015, amounted to Ksh 886.0 billion while total short-term liabilities stood at Ksh 2,293.5 billion, thereby resulting to an average liquidity ratio of 38.6 percent, against 39.7 percent registered in January 2014.

Cash Ratio Requirement The proportion of cash to deposit liabilities held at the Central Bank by commercial banks for reserve requirements averaged 5.37 percent compared to 5.58 percent in December 2014, and was within the 5.25 percent minimum statutory level (Table 5.2 and Chart 5A). Commercial banks maintained an average of Ksh 2.7 billion above the 5.25 percent monthly average cash reserve requirement in January 2015 compared with Ksh 7.1 billion in December 2014. Commercial banks are required to maintain a Cash Reserve Ratio (CRR) monthly average of 5.25 percent in the 30 day maintenance cycle from 15th through 14th of every month, but subject to a daily minimum of 3.0 percent.

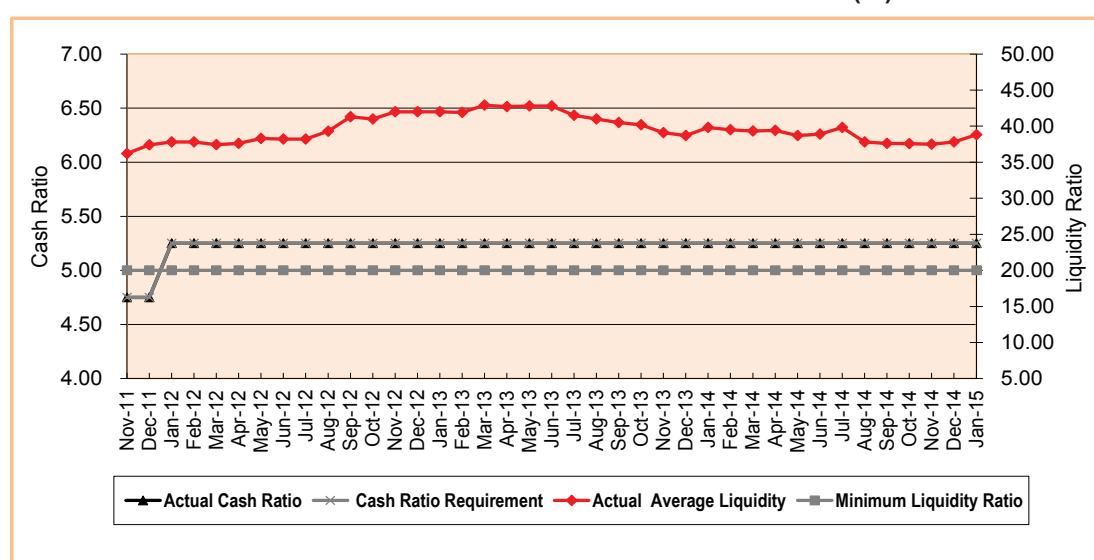
Both Commercial banks and Microfinance banks also observed strong liquidity positions in January 2015, at 38.8 percent and 26.7 percent respectively, in relation to the 20 percent minimum requirement

TABLE 5.2 : CASH AND LIQUIDITY RATIOS* (%)

	2014												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan
Commercial Banks													
Actual Average Liquidity	39.80	39.50	39.32	39.40	38.70	38.90	39.80	37.80	37.60	37.58	37.50	37.80	38.80
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Actual Cash Ratio - All Banks	5.38	5.48	5.53	5.44	5.61	5.88	5.35	5.58	5.73	5.51	5.79	5.58	5.37
Minimum Cash Ratio Requirement	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
NBFIs													
Actual Average Liquidity Ratio	34.20	34.13	32.69	29.90	26.50	27.80	29.70	26.30	26.10	25.19	25.30	27.80	26.70
Minimum Liquidity Ratio	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00

Source: Central Bank of Kenya

CHART 5A: COMMERCIAL BANKS' CASH AND LIQUIDITY RATIOS (%)



Source: Central Bank of Kenya

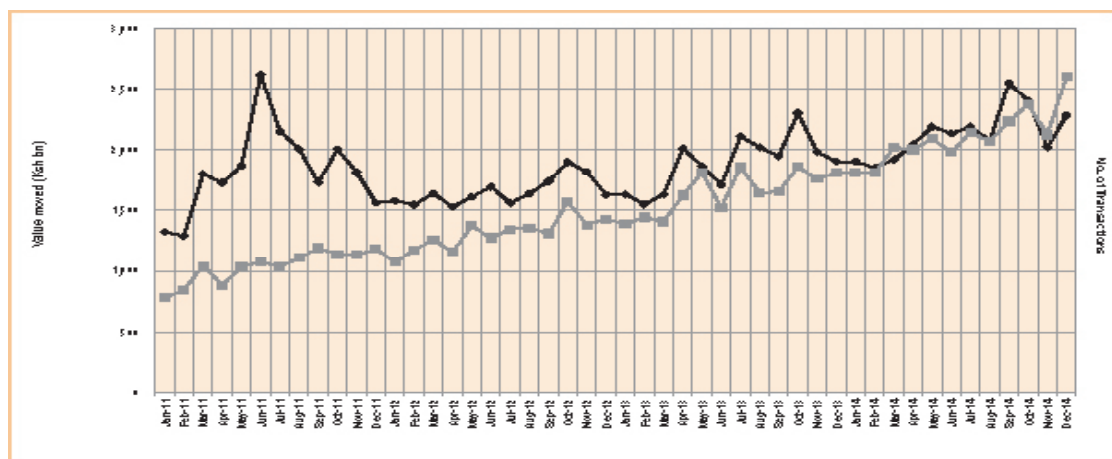
KEPSS Kenya Shillings Flows

Kenya Electronic Payments and Settlement System (KEPSS) moved a volume of 210,940 transaction messages worth Ksh 2,167 billion in January 2015 compared with a volume of 260,441 transaction messages valued at Ksh 2,278 billion moved in December 2014. This represents a decline of 8.86 percent in volume and 19.01 percent in value, respectively. Compared to January 2014, the volume increased by 16.61 percent from 180,897 transaction messages to 210,940 transaction messages in January 2015 and the value increased by 13.83 percent from 1,904 billion to 2,167 billion. Both indicators point to increased uptake of KEPSS services by the public. The value moved during the 12 months period to January 31, 2015 averaged Ksh 10 million per transaction. On average, 10,228 transaction messages with an average value of approximately Ksh 104 billion were moved daily (Table 5.3 and Chart 5B). Direct settlements through KEPSS from commercial banks accounted for 99.0 percent of the total settlements while payments processed through the Automated Clearing House (ACH) and settled in KEPSS averaged 1.0 percent.

TABLE 5.3: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

	Total value moved per month (bn)	Of which indirect (NSI (Ksh bn))	No. of Transactions	Average value per transaction (bn)	Days worked	Per day	
						Value (bn)	Transactions
Jan-12	1,579	28	107,230	0.01	21	75	5,106
Feb-12	1,546	27	116,990	0.01	21	74	5,571
Mar-12	1,638	26	125,739	0.01	22	74	5,715
Apr-12	1,529	26	115,514	0.01	19	80	6,080
May-12	1,610	26	137,135	0.01	22	73	6,233
Jun-12	1,693	26	127,147	0.01	20	85	6,357
Jul-12	1,561	26	134,391	0.01	23	71	6,109
Aug-12	1,637	26	135,243	0.01	23	71	5,880
Sep-12	1,739	26	130,874	0.01	20	87	6,544
Oct-12	1,900	26	157,020	0.01	23	83	6,827
Nov-12	1,820	26	137,975	0.01	22	83	6,272
Dec-12	1,627	30	142,867	0.01	18	90	7,937
Jan-13	1,632	25	138,297	0.01	22	74	6,286
Feb-13	1,548	25	144,248	0.01	20	77	7,212
Mar-13	1,631	28	140,781	0.01	20	82	7,039
Apr-13	2,011	32	162,432	0.01	20	101	8,122
May-13	1,869	31	181,045	0.01	22	85	8,229
Jun-13	1,712	28	152,310	0.01	20	86	7,616
Jul-13	2,109	35	185,773	0.01	23	92	8,077
Aug-13	2,021	24	164,650	0.01	21	96	7,840
Sep-13	1,949	31	165,175	0.01	21	93	7,865
Oct-13	2,301	30	185,920	0.01	22	105	8,451
Nov-13	1,982	29	176,330	0.01	21	94,381	8,397
Dec-13	1,905	30	180,926	0.01	18	105,811	10,051
Jan-14	1,904	31	180,897	0.01	22	87	8,223
Feb-14	1,853	28	181,123	0.01	20	93	9,056
Mar-14	1,920	31	202,035	0.01	21	91	9,621
Apr-14	2,047	27	200,151	0.01	20	102	10,008
May-14	2,188	28	209,019	0.01	21	104	9,953
Jun-14	2,133	32	198,052	0.01	20	107	9,903
Jul-14	2,189	28	214,091	0.01	22	99	9,731
Aug-14	2,077	28	206,937	0.01	21	99	9,854
Sep-14	2,549	33	223,227	0.01	22	116	10,147
Oct-14	2,399	32	237,027	0.01	22	109	10,774
Nov-14	2,023	21	212,340	0.01	20	101	10,617
Dec-14	2,280	32	260,441	0.01	20	114	13,022
Jan-15	2,167	28	210,940	0.01	21	103	10,362

Source: Central Bank of Kenya

CHART 5B: TRENDS IN MONTHLY FLOWS THROUGH KEPSS

Source: Central Bank of Kenya

Third Party Messages

Multiple third party Message Type (MT 102) used for several credit transfers decreased by 20.82 percent from 21,154 transaction messages in December 2014 to 16,749 transaction messages in January 2015 while single third party Message Type (MT 103) used for single credit transfers decreased by 12.10 percent from 265,040 transaction messages to 232,962 transaction messages in the same period. Overall, total third party messages through KEPSS decreased by 12.75 percent from 286,194 transaction messages in December 2014 to 249,711 transaction messages in January 2015.

Multiple third party messages (MT 102) increased by 12.73 percent in January 2015, from 14,858 transaction messages to 16,749 transaction while single third party messages (MT 103) increased by 20.77 percent from 192,905 transaction messages to 232,962 transaction messages (Table 5.4 and Chart 5C).

Inter-bank transfers (MT 202) accounted for 37.98 percent of the total value moved

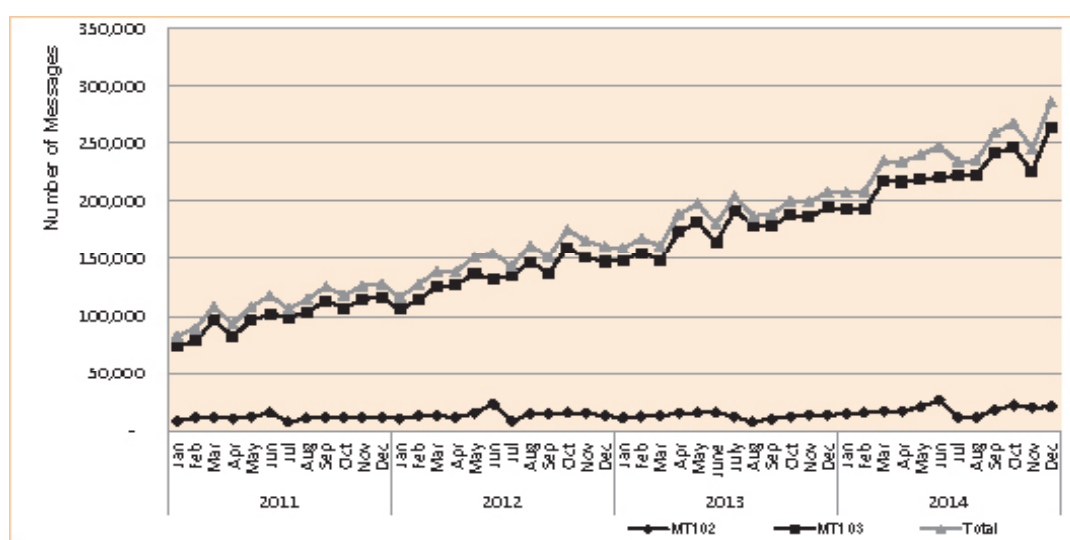
through KEPSS as at end of January 2015, while third party (MT 102 and MT 103) messages accounted for 62.02 percent. The total number of third party messages grew by 20.19 percent from 207,763 messages in January 2014 to 249,711 messages in January 2015. This signifies continued growth in KEPSS usage by individuals and non-bank corporate bodies.

TABLE 5.4: TRENDS IN MT102 AND MT103 THROUGH KEPSS

		MT102	MT103	Total
2014	Jan	14,858	192,905	207,763
	Feb	15,596	192,858	208,454
	Mar	16,935	217,572	234,507
	Apr	17,019	216,820	233,839
	May	20,543	218,936	239,479
	Jun	26,649	220,504	247,153
	Jul	11,546	222,388	233,934
	Aug	11,903	222,826	234,729
	Sep	18,074	241,606	259,680
	Oct	22,080	245,888	267,968
	Nov	19,626	225,312	244,938
	Dec	21,154	265,040	286,194
2015	Jan	16,749	232,962	249,711

Source: Central Bank of Kenya

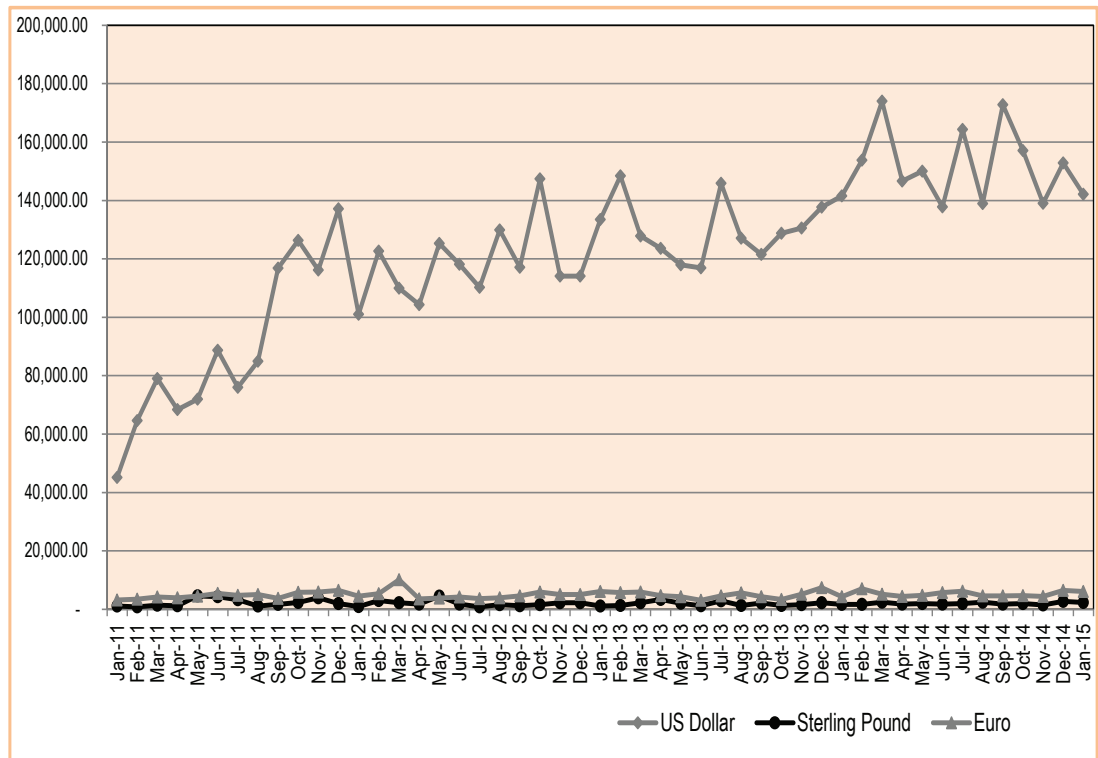
CHART 5C: TRENDS IN MT102 AND MT103 THROUGH KEPSS



Source: Central Bank of Kenya

Domestic Foreign Currency

Domestic Foreign Currency messages through KEPSS decreased by 7.44 percent from 18,505 transaction messages in December 2014 to 17,128 transaction messages in January 2014. Consequently, the corresponding value in Kenya Shillings equivalent moved in this period decreased by 7 percent from Ksh 161.9 billion to Ksh 150,573 billion. The US dollar denominated transactions accounted for 94.42 percent of the value moved (Chart 5D), while the Sterling Pound and the Euro accounted for 1.55 percent and 4.02 percent, respectively.

CHART 5D: DOMESTIC FOREIGN CURRENCY CHEQUE CLEARING KENYA SHILLING EQUIVALENT FLOW THROUGH KEPSS

Source: Central Bank of Kenya

GOVERNMENT BUDGET PERFORMANCE

The Government budgetary operations during the first seven months of FY 2014/15 resulted in a deficit of Ksh 150.8 billion (3.2 percent of GDP) on both commitment and cash basis, compared with a deficit of Ksh 143.5 billion (3.8 percent of GDP) recorded in the same period of FY 2013/14. This was however, lower than the Ksh 227.5 billion (4.8 percent of GDP) programmed target for the period and is reflected in lower absorption of public commitments and a lower than projected revenue in all sources except nontax revenue.

TABLE 6.1: STATEMENT OF CENTRAL GOVERNMENT BUDGETARY OPERATIONS (Ksh Bn)

	FY 2013/14	FY 2014/15		
	Jan Actual	Jan Provisional	Target	Over (+) / below (-) Target
1. TOTAL REVENUE & GRANTS	548.1	614.4	683.7	-69.3
Revenue	538.8	603.2	649.9	-46.7
Tax Revenue	490.0	552.5	578.4	-26.0
Non Tax Revenue	30.7	20.8	16.2	4.5
Appropriations-in-Aid	18.0	30.0	55.2	-25.2
External Grants	9.3	11.2	33.8	-22.6
2. TOTAL EXPENSES & NET LENDING	691.6	765.2	911.2	-146.0
Recurrent Expenses	474.9	460.1	505.1	-45.0
Development Expenses	127.8	196.9	277.3	-80.5
County Transfers	89.0	108.2	126.2	-18.0
Others	0.0	0.0	2.5	-2.5
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-143.5	-150.8	-227.5	76.7
As percent of GDP	-3.8	-3.2	-4.8	
4. ADJUSTMENT TO CASH BASIS	0.0	0.0	0.0	0.0
5. DEFICIT ON A CASH BASIS	-143.5	-150.8	-227.5	76.7
As percent of GDP	-3.8	-3.2	-4.8	
6. DISCREPANCY: Expenditure (+) / Revenue (-)	-7.7	-6.8	0.0	-6.8
7. FINANCING	135.3	144.0	227.5	-83.5
Domestic (Net)	122.6	-41.1	108.4	-149.6
External (Net)	12.7	42.5	119.0	-76.6
Capital Receipts (privatisation)	0.0	0.0	0.0	0.0
Others (Euro Bond Tap sale proceeds)	0.0	142.7	0.0	142.7
Financing gap	0.0	0.0	0.0	0.0

Source: National Treasury using the new re-based GDP figures as of Sept 2014

Revenue

Total government revenues and grants amounted to Ksh 614.4 billion during the first seven months of the FY 2014/15, representing an increase of Ksh 66.3 billion (12.1 percent) from Ksh 548.1 billion collected during a similar period of the FY 2013/14 (Table 6.2). Tax revenue accounted for 89.9 percent of the total revenue realized. All revenues performed below targets except non tax revenue which surpassed target by Ksh 4.5 billion. Specifically; receipts from tax revenue, external grants and appropriations-in-aid were below target by Ksh 26 billion, Ksh 22.6 billion and Ksh 25.2 billion, respectively during the period under review (Table 6.1).

TABLE 6.2: COMPOSITION OF GOVERNMENT REVENUE (Ksh billion)

	Jan-14 Ksh bn	Jan-15 Ksh bn	Change
1. Revenue (2+3+4)	538.8	603.2	64.4
2. Tax Revenue	490.0	552.5	62.4
Income Tax	239.4	272.5	33.0
Value Added Tax	132.0	147.6	15.6
Import Duty	55.9	41.9	-14.0
Excise Duty	57.0	66.8	9.8
Others	5.7	23.7	18.0
3. Appropriations-in-Aid	18.0	30.0	12.0
4. Other Revenue	30.7	20.8	-10.0
5. External Grants	9.3	11.2	1.9
TOTAL RECEIPTS (1+5)	548.1	614.4	66.3

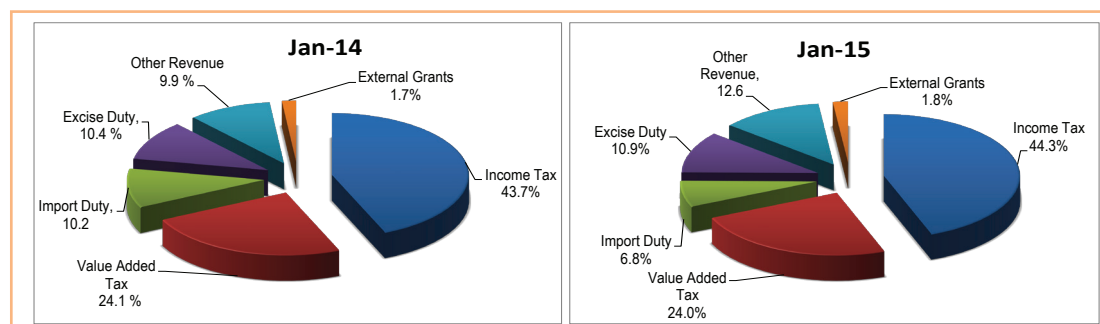
Source: National Treasury

Tax revenue grew by Ksh 62.4 billion in the first seven months of the FY 2014/15, equivalent to 12.7 percent increase, to Ksh 552.5 billion from Ksh 490 billion collected during the first seven months of the FY 2013/14 (Table 6.2). The increase is largely traced to income tax receipts, which grew by Ksh 33 billion (13.9 percent). Excise duty, Value Added Tax, other tax revenue, Appropriations-In-Aid and external grants increased by Ksh 9.8 billion, Ksh 15.6 billion, Ksh 18 billion, Ksh 12 billion and Ksh

1.9 billion, respectively. On the other hand, import duty and other revenue declined by Ksh 14 billion and Ksh 10 billion, respectively during the period under review. All taxes except income tax performed below target.

The performance of Government revenue in relation to the previous year is indicated in Chart 6A. Most components of Government revenue stabilised close to shares recorded in similar period in 2014.

CHART 6A: COMPOSITION OF GOVERNMENT RECEIPTS



Source: National Treasury

Expenditure and Net Lending

Government expenditure and net lending increased by Ksh 73.6 billion (10.6 percent) during the first seven months of the FY 2014/15 from Ksh 691.6 billion expended during the same period in the FY 2013/14. Total expenditure during this period amounted to Ksh 765.2 billion, comprising Ksh 460.1 billion recurrent expenditure, Ksh 196.9 billion development expenditure and Ksh 108.2 billion county transfers. In terms of share contribution, recurrent expenditure accounted for 60.1 percent and development expenditure 25.7 percent.

Recurrent expenditure declined by Ksh 14.8 billion and performed below the programmed target by Ksh 45 billion during the period under review. This decline largely reflect Ksh 10.7 billion in other recurrent expenditure Ksh 8.2 billion in salaries and wages and a partially offsetting Ksh 4.2 billion in total interest payments (of which Ksh 7.1 billion increase was in foreign interest payments). Development expenditure increased by Ksh 69.1 billion but was Ksh 80.5 billion lower than programme's target. County transfers increased by Ksh 19.3 billion from Ksh 89 billion in a similar period of the previous financial year but was Ksh 18 billion lower than targeted (Table 6.1). The lower than projected absorption in the development budget is largely in funds from external sources on account of delayed disbursement of funds.

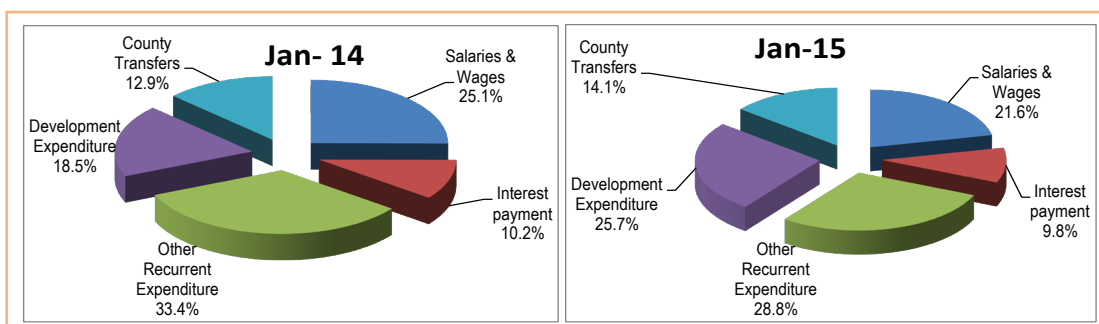
TABLE 6.3: COMPOSITION OF GOVERNMENT EXPENDITURE (Ksh billion)

	Jan-14 Ksh bn	Jan-15 Ksh bn	Movement
1. Recurrent	474.9	460.1	-14.8
Salaries & Wages	173.4	165.2	-8.2
Total Interest	70.6	74.8	4.2
of which			
Domestic*	64.9	62.0	-2.9
Foreign interest due	5.7	12.8	7.1
Others	230.9	220.1	-10.7
2. Development	127.8	196.9	69.1
3. County Transfers	89.0	108.2	19.3
TOTAL EXPENSES	691.6	765.2	73.6

*Includes commission and other charges paid to CBK

The trends of Government expenditure components in the 7 months to January 2015 relative to the previous year (Chart 6B) shows increases in other recurrent expenditure, development expenditure, and county transfers ; while allocations to salaries and wages and interest payments declined. In particular, the reduced allocation on interest payments reflects lower access to domestic borrowing.

CHART 6B: COMPOSITION OF GOVERNMENT EXPENDITURE



Source: National Treasury

Financing

Budgetary operations of the Government resulted into a financing requirement of Ksh 247.8 billion in the first seven months of the FY 2014/15 which was 51.9 percent above Ksh 163.1 billion recorded in the same period of the FY 2013/14. The Government sourced the funds through net external borrowing of Ksh 42.5 billion, Euro Bond tap sale proceeds of Ksh 142.7 billion and additional domestic borrowing of Ksh 61.3 billion. The funds were allocated to bridge the Government budgetary deficit of Ksh 144 billion. Furthermore, the successful debut in the Euro Bond market enabled the Government to reduce its domestic debt by Ksh 10.2 billion (that comprised Ksh 10.2 billion repayment of debt owed to the Central Bank) and accumulate deposits amounting to Ksh 93.5 billion (Table 6.4).

TABLE 6.4: GOVERNMENT BORROWING REQUIREMENTS & SOURCES (Ksh billion)

I. FINANCING REQUIREMENTS	Jan-14	Jan-15
1. Budget deficit	135.3	144.0
2. External debt reduction	0.0	0.0
3. Domestic debt reduction	0.0	10.2
3.1 Central Bank (incl. items in transit)	0.0	10.2
3.2 Commercial banks (net of deposits)	0.0	0.0
3.3 Non-bank sources	0.0	0.0
4. Increase in GoK deposits at CBK	20.5	93.5
TOTAL	163.1	247.8
II. FINANCING SOURCES	Jan-14	Jan-15
1. Budget surplus	0.0	0.0
2. External debt increase	12.7	42.5
3. Increase in domestic debt	150.3	61.3
3.1 Central Bank	20.2	0.0
3.2 Commercial banks	49.7	49.3
3.3 Non-bank sources	80.4	11.9
4. Reduction in GoK deposits at CBK	0.0	0.0
5. Privatisation proceeds (Net of Restructuring Costs)	0.0	0.0
6. Others (Euro Bond tap sale proceeds)	0.0	142.7
7. Domestic Loan Repayments	0.0	1.4
TOTAL	163.1	247.8

Sources: National Treasury and Central Bank of Kenya

Government Borrowing from the Central Bank

The Government debt at the Central Bank declined by Ksh 1.8 billion, to Ksh 54.8 billion during the period under review, compared to Ksh 56.6 billion owed in a similar period of the FY 2013/2014. The decrease in Government's liability reflect decline in the holding of rediscounted securities and , repayment of Ksh 1.1 billion, through the regular amortization of the pre- 1997 overdraft at the Central Bank. The

Government borrowing through overdraft facility at the Central Bank was within the statutory limit.

TABLE 6.5: GOVERNMENT INDEBTEDNESS TO THE CENTRAL BANK (Ksh billion)

	2014	2015	Movement
	Jan	Jan	
Total Credit	56.6	54.8	-1.8
1. Overdraft	22.5	27.5	5.0
2. Rediscounted securities	5.7	0.1	-5.7
Treasury bills	5.7	0.1	-5.6
Treasury bonds	0.0	0.0	0.0
3. Pre-1997 Government Overdraft at CBK	28.3	27.2	-1.1
4. IMF funds onlent to Government	0.0	0.0	0.0
5. Cleared items in transit	0.1	0.0	0.0
Memorandum			
Authorised overdraft limit	34.2	39.1	4.9
Amount utilised to date	22.5	27.5	5.0
Amount available	11.7	11.6	-0.1

Source: Central Bank of Kenya

Outlook for FY 2014/15 In the budget estimates for the FY 2014/15 ordinary revenue is estimated at Ksh 1087.1 billion (22.9 percent of GDP) while external grants are estimated at Ksh 58.7 billion (1.2 percent of GDP). Government expenditure is estimated at Ksh 1,597.8 billion (33.6 percent of GDP), of which, Ksh 871.5 billion (18.3 percent of GDP) will be in recurrent expenses, Ksh 229.3 billion transfer to the county government, Ksh 5.0 billion contingency fund and the balance is in development expenses (Table 6.6).

TABLE 6.6: BUDGET ESTIMATES FOR THE FISCAL YEAR 2014/15 (Ksh Billion)

	Ksh (Bn)	% of GDP
1. TOTAL REVENUE	1240.0	26.1
Ordinary Revenue	1087.1	22.9
Appropriations-in-Aid	94.1	2.0
External Grants	58.7	1.2
2. TOTAL EXPENSES & NET LENDING	1597.8	33.6
Recurrent Expenses	871.5	18.3
Development Expenses	492.0	10.3
County Transfer	229.3	4.8
Contingency Fund	5.0	0.1
3. DEFICIT ON A COMMITMENT BASIS (1-2)	-357.8	-7.5
4. ADJUSTMENT TO CASH BASIS	0.0	0.0
5. DEFICIT ON A CASH BASIS	-357.8	-7.5
6. DISCREPANCY: Expenditure (+) / Revenue (-)	0.0	0.0
7. FINANCING	357.8	7.5
Domestic (Net)	192.1	4.0
External (Net)	165.8	3.5

Source: National Treasury using the new re-based GDP figures as of Sept 2014

The overall budget deficit including grants on commitment basis is therefore, estimated at Ksh 357.8 billion (7.5 percent of GDP) in 2014/15. The deficit is expected to be financed through net external borrowing of Ksh 165.8 billion and net domestic borrowing of Ksh 192.1 billion.

DEVELOPMENTS IN PUBLIC DEBT

Overall Debt Kenya's public and publicly guaranteed debt increased by Ksh 213.8 billion to reach Ksh 2,583.9 billion in January 2015, from Ksh 2,370.3 billion in June 2014. The total debt stock at the end of January 2015 was equivalent to 54.3 percent of GDP, compared with 49.8 percent of GDP in June 2014. Both external and domestic debt to GDP ratios increased from 22.8 percent and 27.0 percent in June 2014 to 26.6 percent and 27.7 percent in January 2015, respectively (Table 7.1).

TABLE 7.1: KENYA'S PUBLIC DEBT (Ksh billion)

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Change 2014/15
EXTERNAL													
Bilateral	244.2	283.7	288.5	288.4	289.9	286.2	285.3	278.5	275.8	272.3	287.2	387.0	97.1
Multilateral	573.3	581.9	587.5	595.6	597.3	604.7	605.8	608.0	612.1	614.0	612.4	606.1	8.8
Commercial Banks	59.1	59.2	59.1	59.6	182.2	182.5	183.6	185.2	184.9	186.5	255.2	257.8	75.6
Supplier Credits	15.7	15.7	15.9	14.3	16.5	16.3	16.3	16.1	16.0	16.1	16.0	15.6	-0.9
Sub-Total	892.3	940.5	951.0	957.9	1085.9	1089.7	1091.0	1087.8	1088.8	1089.0	1170.7	1266.4	180.5
(As a % of GDP)	18.8	19.8	20.0	20.1	22.8	22.9	22.9	22.9	22.9	22.9	24.6	26.6	
(As a % of total debt)	42.1	42.3	42.3	43.7	45.8	45.7	46.0	46.3	46.6	45.5	47.6	49.0	
DOMESTIC													
Banks	664.4	663.5	632.5	644.1	682.8	698.7	682.2	665.0	638.1	698.0	674.5	689.9	7.0
Central Bank	73.3	77.2	63.2	68.1	65.7	61.6	62.0	63.6	29.1	45.8	27.2	27.2	-38.5
Commercial Banks	591.1	586.3	569.3	576.0	617.1	637.1	620.3	601.4	609.0	652.2	647.2	662.6	45.5
Non-banks	553.2	606.7	650.5	575.3	586.5	583.6	585.7	584.1	595.6	592.3	599.1	613.7	27.2
Pension Funds	304.8	310.6	311.1	313.6	322.9	323.3	323.6	321.2	317.4	318.4	310.6	319.5	-3.3
Insurance Companies	117.3	117.8	118.3	120.1	121.0	121.1	125.8	127.6	127.8	129.2	129.3	130.3	9.3
Other Non-bank Sources	131.1	178.3	221.1	141.7	142.6	139.2	136.3	135.2	150.4	144.7	159.2	163.8	21.3
Non-residents	11.7	14.0	13.4	13.1	14.9	14.2	13.2	11.8	12.4	13.0	13.8	13.9	-1.0
Sub-Total	1229.3	1284.2	1296.5	1232.5	1284.2	1296.4	1281.1	1260.9	1246.1	1303.4	1287.4	1317.5	33.3
(As a % of GDP)	25.8	25.9	25.6	25.9	27.0	27.3	26.9	26.5	26.2	27.4	27.1	27.7	
(As a % of total debt)	57.9	57.7	57.7	56.3	54.2	54.3	54.0	53.7	53.4	54.5	52.4	51.0	
GRAND TOTAL	2121.6	2224.7	2247.4	2190.4	2370.2	2386.1	2372.1	2348.7	2335.0	2392.3	2458.1	2583.9	213.8
(As a % of GDP)	44.6	45.6	45.6	46.0	49.8	50.2	49.9	49.4	49.1	50.3	51.7	54.3	

computed using the re-based GDP figures

Sources: National Treasury and Central Bank of Kenya

Domestic Debt

The total stock of domestic debt increased by Ksh 33.3 billion during the first seven months of the FY 2014/15 to reach Ksh 1,317.5 billion in January 2015, resulting in a 0.7 percent increase in the domestic debt to GDP ratio to 27.7 percent. This was largely on account of an increase in government treasury bonds of Ksh 62.3 billion and a partially offsetting decline in other debt. The share of domestic debt in total debt declined from 54.2 percent in June, 2014 to 51.0 percent in January 2015 (Table 7.1).

TABLE 7.2: GOVERNMENT GROSS DOMESTIC DEBT (Ksh billion)

	2015														Change		
	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Jun 14 - Jan 15
Total Stock of Domestic Debt (A+B)	1,284.3	100.0	1,296.4	100.0	1,281.1	100.0	1,260.9	100.0	1,246.1	100.0	1,303.4	100.0	1,287.4	100.0	1,317.5	100.0	33.2
A. Government Securities	1,242.4	96.7	1,261.3	97.3	1,246.6	98.9	1,223.7	97.0	1,233.8	94.7	1,283.5	98.5	1,273.6	98.9	1,303.6	98.9	61.2
1. Treasury Bills (excluding Repo Bills)	299.4	23.3	319.2	24.6	305.6	24.2	276.0	21.9	283.9	21.8	302.0	23.2	291.4	22.6	299.3	22.7	(0.1)
Banking institutions	176.5	13.7	199.7	15.4	187.4	14.9	162.9	12.9	173.5	13.3	196.1	15.0	191.2	14.9	195.7	14.9	19.2
Others	123.0	9.6	119.5	9.2	118.2	9.4	113.2	9.0	110.4	8.5	105.9	8.1	100.2	7.8	103.6	7.9	(19.3)
2. Treasury Bonds	914.8	71.2	914.4	70.5	913.2	72.4	919.9	73.0	922.1	70.7	953.7	73.2	955.0	74.2	977.1	74.2	62.3
Banking institutions	436.4	34.0	436.2	33.6	433.2	34.4	437.8	34.7	436.9	33.5	454.3	34.9	456.1	35.4	467.0	35.4	30.6
Pension Funds	247.5	19.3	322.9	24.9	255.7	20.3	259.4	20.6	255.7	19.6	262.0	20.1	262.6	20.4	271.5	20.6	24.0
Others	230.9	18.0	155.3	12.0	224.4	17.8	222.7	17.7	229.5	17.6	237.4	18.2	236.3	18.4	0.2	0.0	(230.7)
4. Non-Interest Bearing Debt	28.3	2.2	27.7	2.1	27.8	2.2	27.8	2.2	27.8	2.1	27.8	2.1	27.2	2.1	27.2	2.1	(1.0)
Of which: Repo T/Bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.1	(1.1)
B. Others:	41.9	3.3	35.2	2.7	34.5	2.7	37.2	3.0	12.4	0.9	19.9	1.5	13.8	1.1	13.9	1.1	(28.0)
Of which CBK overdraft to Government	37.2	2.9	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	(9.8)

Source: Central Bank of Kenya

Treasury Bills

Treasury bill holdings, excluding repos, decreased by Ksh 0.1 billion from Ksh 299.4 billion in June 2014 to Ksh 299.3 billion in January 2015 (Table 7.2). The proportion of Treasury bills to total domestic debt decreased marginally to 22.7 percent in January 2015 from 23.3 percent in June 2014. The dominant investors in Treasury Bills were commercial banks (65.4 percent) and pension funds (16.1 percent) in January 2015 (Table 7.3).

TABLE 7.3: OUTSTANDING TREASURY BILLS BY HOLDER (Ksh billion)

	2014												2015				Change Jun 14 - Jan 15
Holders	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	
Banking Institutions	176.5	58.9	199.7	62.6	187.4	67.9	162.9	59.0	173.5	61.1	196.1	64.9	191.1	65.6	196.2	65.6	19.8
Central Bank	0.0	0.0	2.0	0.6	3.7	1.3	1.4	0.5	1.4	0.5	1.4	0.5	0.1	0.0	0.6	0.2	0.6
Comm. Banks	176.4	58.9	197.6	61.9	183.7	66.5	161.5	58.5	172.1	60.6	194.7	64.5	191.1	65.6	195.6	65.4	19.2
Insurance Companies	19.9	6.6	20.5	6.4	23.3	8.4	25.9	9.4	24.1	8.5	24.5	8.1	24.7	8.5	23.8	8.0	4.0
Parastatals	4.2	1.4	4.2	1.3	3.1	1.1	3.1	1.1	3.6	1.3	3.6074	1.2	3.6178	1.2	3.982	1.3	-0.2
Pension Funds	67.8	22.6	67.6	21.2	67.8	24.6	61.9	22.4	61.7	21.7	56.4	18.7	48.0	16.5	48.0	16.1	-19.8
Others	31.1	10.4	27.1	8.5	24.0	8.7	22.2	8.1	21.0	7.4	21.4	7.1	23.9	8.2	27.2	9.1	-3.9
Total	299.4	100.0	319.2	100.0	305.6	100.0	276.0	100.0	283.9	100.0	302.0	100.0	291.4	100.0	299.3	100.0	-0.1

Source: Central Bank of Kenya

Treasury Bonds

Outstanding Treasury bonds increased by Ksh 62.3 billion, from Ksh 914.8 billion in June 2014 to Ksh 977.1 billion in January 2015. The proportion of Treasury bonds in domestic debt increased from 71.2 percent in June 2014 to 74.2 percent in January 2015 (Table 7.2). The holding of Treasury bonds by dominant investors was as follows: Ksh 467.0, Ksh 271.5 billion and Ksh 106.5 billion absorbed by commercial banks, Pension Funds and Insurance companies, respectively. The proportion of holdings of Treasury bonds by pension funds increased from 27.1 percent to 27.8 percent while the proportion held by insurance companies declined from 11.1 percent to 10.9 percent during the period under review. The proportion held by parastatals declined from 3.8 percent in June 2014 to 3.4 percent in January 2015. Meanwhile, the proportion of holdings by commercial banks and the Central Bank remained constant during the period under review (Table 7.4).

TABLE 7.4: OUTSTANDING TREASURY BONDS BY HOLDER (Ksh billion)

Holders	Jan	%	Feb	%	Mar	%	Apr	%	May	%	June	%	July	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%	Jan	%	Change Jun 14 - Jan 15
Banking Institutions	381.5	45.9	391.6	46.4	407.9	47.2	414.8	47.4	420.5	47.4	436.4	47.7	436.2	47.7	433.2	47.4	437.8	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	30.7
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. Banks	381.4	45.9	391.6	46.4	407.9	47.2	414.7	47.4	420.5	47.4	436.3	47.7	436.1	47.7	433.1	47.4	437.7	47.6	436.9	47.4	436.9	45.8	456.1	47.8	467.0	47.8	30.7
NBFI's	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Insurance Companies	96.9	11.7	97.2	11.5	97.7	11.3	97.9	11.2	100.1	11.3	101.2	11.1	100.6	11.0	102.6	11.2	101.7	11.1	103.7	11.2	103.7	10.9	104.6	10.9	106.5	10.9	5.3
Parastatals	39.2	4.7	39.4	4.7	39.4	4.6	34.4	3.9	42.7	4.8	34.4	3.8	34.1	3.7	34.2	3.7	32.9	3.6	32.9	3.6	32.9	3.5	32.9	3.4	32.9	3.4	-1.5
Of which: NSSF	21.2	2.5	21.2	2.5	21.2	2.5	16.2	1.8	22.7	2.6	16.2	1.8	16.1	1.8	16.1	1.8	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.6	14.9	1.5	-1.3
Building Societies	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.6	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.6	0.1	0.1
Pension Funds	233.4	28.1	235.1	27.8	238.0	27.6	240.5	27.5	220.1	24.8	247.5	27.1	322.9	35.3	255.7	28.0	259.4	28.2	255.7	27.7	255.7	26.8	262.6	27.5	271.5	27.8	24.0
Others	79.7	9.6	79.6	9.3	79.9	9.3	86.4	9.9	102.7	11.6	94.7	10.3	19.9	2.2	86.9	9.5	87.4	9.5	92.1	10.0	123.7	13.0	98.0	10.3	98.4	10.1	3.7
Total	831.3	100.0	843.6	100.0	863.6	100.0	874.7	100.0	886.9	100.0	914.8	100.0	914.4	100.0	913.2	100.0	919.9	100.0	922.1	100.0	953.7	100.0	955.0	100.0	977.1	100.0	62.3

Source: Central Bank of Kenya

Domestic Debt Maturity structure

Total domestic debt as at January 2015 amounted to Ksh 1,317.5 billion. Government securities worth Ksh 30.7 billion fell due in January 2015, comprising Ksh 7.8 billion, Ksh 13.6 billion and Ksh 9.3 billion in 91-day, 182-day and 364-day Treasury bills, respectively.

The average length of maturity of existing domestic debt rose to 5 years and 2 months in January 2015 from 4 years and 10 months in June 2014.

TABLE 7.5: DOMESTIC DEBT MATURITY STRUCTURE (Ksh billion)

			2014												2015		Change Jun 14 to Jan 15	
			Jun	%	Jul	%	Aug	%	Sep	%	Oct	%	Nov	%	Dec	%		Jan
Treasury bills	91-Day	54.7	4.3	59.4	4.6	52.1	4.1	32.7	2.6	27.7	2.1	32.3	2.5	27.2	2.1	28.1	2.1	-26.6
	182-Day	88.9	6.9	93.9	7.2	85.8	6.7	65.2	5.2	57.8	4.4	58.7	4.5	49.9	3.9	50.8	3.9	-38.1
	364-Day	155.8	12.1	165.3	12.8	146.7	11.5	157.6	12.5	176.5	13.5	211.0	16.2	214.3	16.6	220.4	16.7	64.6
Treasury Bonds	1-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2-Year	166.7	13.0	174.5	13.5	158.2	12.4	158.2	12.5	144.5	11.1	144.5	11.1	132.6	10.3	132.6	10.1	-34.1
	3-Year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	4-Year	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.4	29.9	2.3	29.9	2.3	29.9	2.3	29.9	2.3	0.0
	5-Year	175.3	13.6	175.3	13.5	188.7	14.7	175.5	13.9	175.5	13.5	175.5	13.5	175.5	13.6	183.7	13.9	8.4
	6-Year	40.7	3.2	40.7	3.1	40.7	3.2	40.7	3.2	40.7	3.1	40.7	3.1	40.7	3.2	40.7	3.1	0.0
	7-Year	17.0	1.3	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	8.7	0.7	-8.3
	8-Year	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.2	40.9	3.1	40.9	3.1	40.9	3.2	40.9	3.1	0.0
	9-Year	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	18.2	1.4	0.0
	10-Year	131.1	10.2	131.1	10.1	131.1	10.2	146.7	11.6	146.7	11.3	146.7	11.3	146.7	11.4	146.7	11.1	15.6
	11-Year	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	4.0	0.3	0.0
	12-Year	45.4	3.5	45.4	3.5	45.4	3.5	45.4	3.6	61.4	4.7	80.9	6.2	80.9	6.3	80.9	6.1	35.5
	15-Year	142.9	11.1	142.9	11.0	142.9	11.2	142.9	11.3	142.9	11.0	155.0	11.9	168.2	13.1	168.2	12.8	25.3
	20-Year	60.5	4.7	60.5	4.7	60.5	4.7	60.5	4.8	60.5	4.6	60.5	4.6	60.5	4.7	74.3	5.6	13.9
	25-Year	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.6	20.2	1.5	20.2	1.5	20.2	1.6	20.2	1.5	0.0
30-Year	22.1	1.7	22.1	1.7	23.9	1.9	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.2	28.1	2.1	6.0	
	Repo T bills	28.3	2.2	27.7	2.1	27.7	2.2	27.7	2.2	27.7	2.1	27.7	2.1	27.2	2.1	27.2	2.1	-1.1
	Overdraft	39.1	3.0	31.7	2.4	30.4	2.4	34.4	2.7	18.3	1.4	18.3	1.4	30.9	2.4	27.5	2.1	-11.6
	Other Domestic debt	2.76	0.22	4.1	0.3	25.2	2.0	23.4	1.9	16.0	1.2	1.6	0.1	-17.1	-1.3	-13.6	-1.0	-16.3
Total Debt		1284.33	100.00	1296.4	100.0	1281.1	100.0	1260.9	100.0	1246.1	95.6	1303.4	100.0	1287.4	100.0	1317.5	100.0	33.2

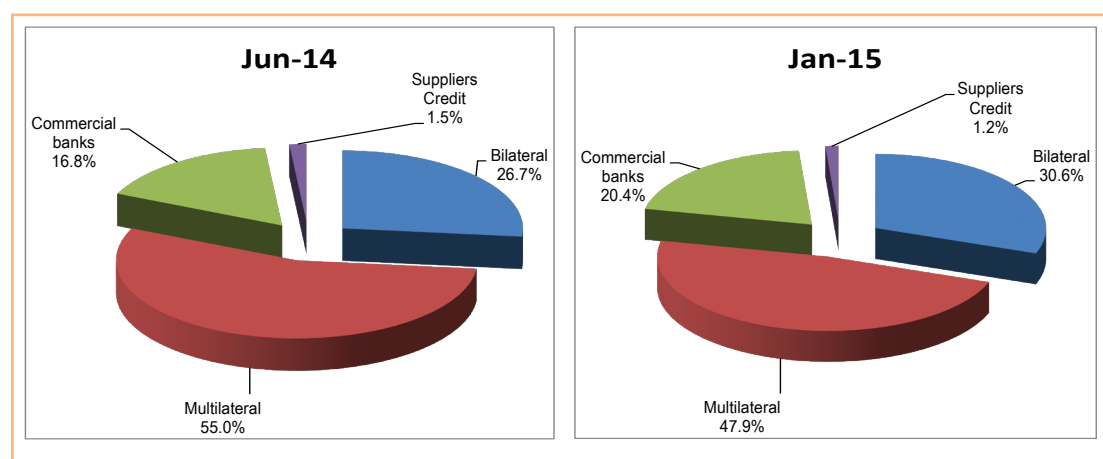
Source: Central Bank of Kenya

External Debt

Kenya's public and publicly guaranteed external debt increased by Ksh 180.5 billion to Ksh 1,266.4 billion in January 2015, from Ksh 1085.9 billion in June, 2014 (Table 7.1). The amount of public external debt to the central government was Ksh 1225.1 billion, while the rest was to parastatals guaranteed by the government. The African Development Bank (ADB) and the International Development Association (IDA) collectively accounted for Ksh 1.2 billion of the increase in multilateral debt, while China accounted for Ksh 2.0 billion of the increase in bilateral debt. Japan's contribution to the bilateral debt reduced by Ksh 0.6 billion, during the period under review. The growth in external debt during this period was largely driven by exchange rate revaluations.

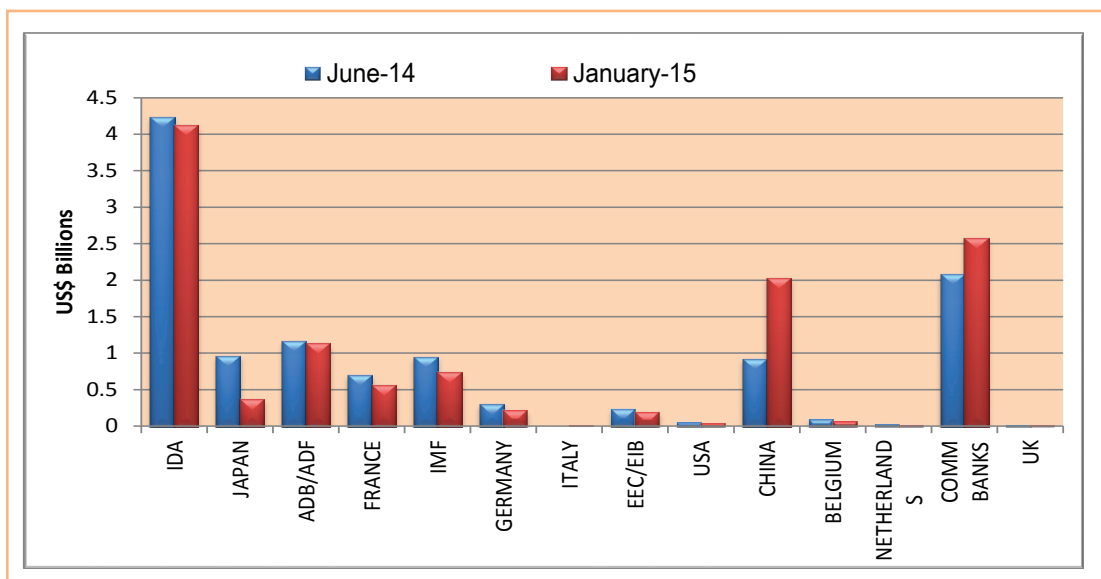
Composition of External Debt by Creditor

Kenya's official external creditors, the multilateral and bilateral lenders, accounted for 78.5 percent of total public and publicly guaranteed debt by January 2015. The proportion of external debt owed to commercial banks increased from 16.8 percent in June 2014 to 20.4 percent in January 2015, while that owed to bilateral lenders increased from 26.7 percent, in June 2014 to 30.6 percent in January 2015. The share of external debt owed to multilateral lenders declined from 55.0 percent in June 2014 to 47.9 percent in January 2015 (Chart 7A).

CHART 7A: COMPOSITION OF EXTERNAL DEBT

Source: National Treasury

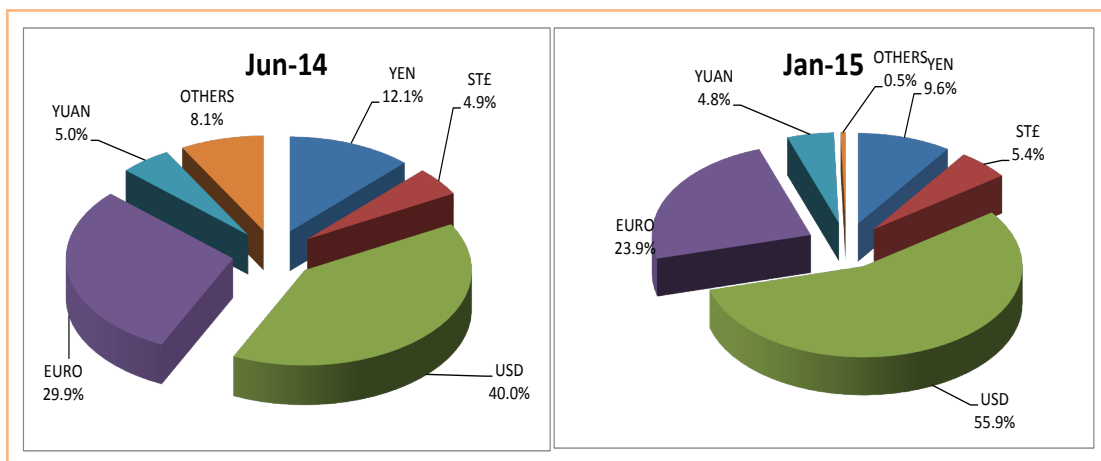
Debt owed to IDA, Kenya's largest multilateral lender, amounted to USD 4.1 billion or 32.6 percent of total external debt while that owed to Japan, Kenya's largest bilateral lender, amounted to USD 3.7 billion, which is equivalent to 2.9 percent of the total external debt at the end of January 2015 (Chart 7B).

CHART 7B: EXTERNAL DEBT BY CREDITOR

Source: National Treasury

Currency Composition of External Debt

The proportion of external debt denominated in the US dollar increased from 40 percent in June 2014 to 56.1 percent in January 2015, while that denominated in Japanese Yen and Euro declined from 12.1 percent and 29.9 percent, respectively, to 9.6 percent and 24.0 percent, respectively, during the period under review (Chart 7C). The rise the US dollar denominated component is attributed to the proceeds from the Tap sale of the Sovereign bond

CHART 7C: EXTERNAL DEBT DISTRIBUTION BY CURRENCY

Source: National Treasury

**Public
Debt
Service**

Cumulative interest and other charges on domestic debt for first seven months of FY 2014/15 amounted to Ksh 61.8 billion compared with Ksh 58.9 billion during a similar period of the FY 2013/14. The expenditure comprised of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 17.3 billion and Ksh 42.8 billion, respectively. In addition, collective interest on Government overdraft and the Pre-97 overdraft, amounted to Ksh 1.7 billion. External debt service in the first seven months of FY 2014/15, amounted to Ksh 3.3 billion, comprising Ksh 2.4 billion in principal repayments and Ksh 0.9 billion in interest payments.

**Outlook
for FY
2014/15**

Total public and publicly guaranteed debt is estimated at Ksh 1,195.7 billion (25.8 percent of GDP), of which gross and net domestic debt amount to Ksh 1,274.7 billion (27.5 percent of GDP) and Ksh 1,213.4 billion (26.2 percent of GDP), respectively.

ACTIVITY IN THE STOCK MARKET

The equity markets segment recorded mixed performance, with gains in NSE 20 Share Index and Market capitalization. The net foreign investors' interest at the NSE improved, with more foreign sales than purchases. The bond market segment recorded declines in both total turnover and number of deals recorded.

Equity Market

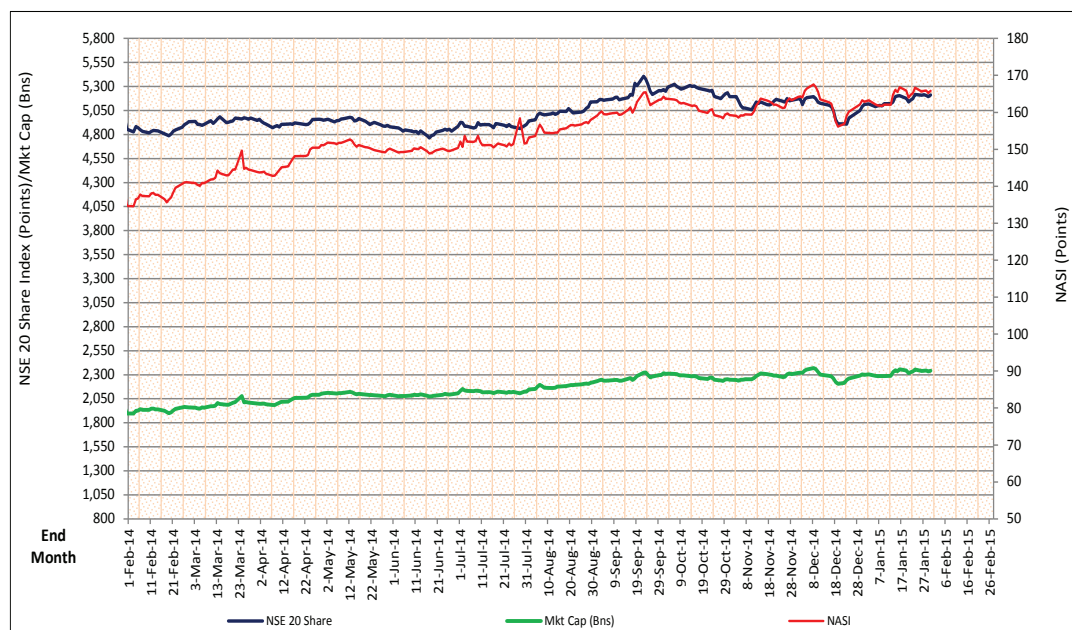
The equities market recorded a price rally in January 2015 with the NSE 20 Share Index and the NASI closing 99.35 points and 2.91 points higher respectively compared to level in December 2014. Reflecting the improved prices, Market Capitalization grew by Ksh 34 billion (or 1.4 percent) to Ksh. 2,350.33 billion in January 2015. Equities turnover however, declined by 69.24 percent following a 53.99 percent decrease in the volume of shares traded (Table 8.1 and Chart 8A).

TABLE 8.1: SELECTED STOCK MARKET INDICATORS

Period (Month)	NSE 20 Share Index (1966=100)	NASI (2008=100)	Number of Shares Traded (Millions)	Equities Turnover (Ksh Millions)	Market Capitalization (Ksh Billions)	Bond Turnover (Ksh Millions)	FP to Equity Turnover	FS to Equity Turnover	Overall net FP to Equity Turnover
Jan-13	4,416.60	103.50	518.71	8,464.46	1,387.81	20,999.59	59.06%	33.86%	46.46%
Feb-13	4,518.59	106.91	692.28	14,693.27	1,451.01	20,240.18	42.73%	69.45%	56.09%
Mar-13	4,860.83	117.91	571.29	11,182.65	1,599.80	25,690.98	55.92%	39.74%	47.83%
Apr-13	4,765.23	118.07	596.83	9,856.50	1,601.93	35,190.25	56.75%	26.73%	42.67%
May-13	5,006.96	126.80	867.77	16,070.53	1,720.43	73,523.70	53.22%	31.60%	42.41%
Jun-13	4,598.16	116.31	727.78	13,021.29	1,618.27	85,904.11	66.13%	46.15%	56.14%
Jul-13	4,787.56	122.86	615.90	11,205.17	1,727.83	34,170.82	65.88%	51.38%	58.63%
Aug-13	4,697.75	119.96	670.38	20,797.41	1,681.66	24,520.25	75.75%	28.44%	52.10%
Sep-13	4,793.20	127.35	488.79	10,062.50	1,790.85	29,304.17	65.89%	45.39%	55.64%
Oct-13	4,992.88	133.24	804.51	15,937.19	1,873.66	51,674.82	64.28%	47.19%	55.73%
Nov-13	5,100.88	141.17	645.20	13,128.66	1,975.00	27,310.57	48.21%	41.47%	44.84%
Dec-13	4,926.97	136.65	466.25	11,329.23	1,920.72	23,695.80	54.95%	61.04%	57.99%
Jan-14	4,856.15	134.66	638.48	15,970.23	1,898.00	42,549.39	48.28%	53.77%	51.03%
Feb-14	4,933.41	141.05	545.32	14,742.87	1,960.55	27,671.60	47.52%	57.72%	52.62%
Mar-14	4,945.78	143.89	544.06	13,042.51	2,003.52	32,371.60	50.55%	53.61%	52.08%
Apr-14	4,948.97	151.13	728.00	15,750.00	2,106.08	58,572.78	62.32%	53.37%	57.84%
May-14	4,881.56	150.20	854.00	23,022.00	2,092.00	38,379.11	48.90%	60.10%	54.50%
Jun-14	4,885.00	150.00	731.00	18,190.00	2,107.00	28,541.83	63.40%	49.18%	56.29%
Jul-14	4,906.09	151.69	625.20	15,043.00	2,125.31	49,467.93	56.19%	55.25%	55.72%
Aug-14	5,139.39	157.94	628.64	15,512.78	2,216.57	55,003.41	55.06%	34.08%	44.57%
Sep-14	5,256.00	163.00	767.18	19,241.28	2,293.49	41,859.78	43.71%	48.13%	45.92%
Oct-14	5,194.89	159.23	506.05	19,286.82	2,246.61	38,080.27	50.82%	57.08%	53.95%
Nov-14	5,156.00	163.00	665.97	14,341.06	2,303.15	50,483.94	65.37%	47.69%	56.53%
Dec-14	5,113.00	170.00	899.75	31,583.30	2,316.32	43,068.58	33.99%	30.76%	32.37%
Jan-15	5,212.00	166.00	414.28	9,714.78	2,350.33	38,369.93	45.30%	48.11%	46.71%

Source: Nairobi Securities Exchange

Foreign Investors participation at the NSE improved, with overall net foreign participation to total equity turnover closing higher at 46.71 percent in January 2015 from 32.37 percent in December 2014. Foreign purchases accounted for 45.30 percent of total equity turnover against 48.11 percent foreign sales, reflecting net outflow (Chart 8.1).

CHART 8A: NSE 20 SHARE INDEX, NASI AND MARKET CAPITALIZATION

Source: Nairobi Securities Exchange

Most Active Sectors & FTSE NSE Kenya Index Series

Banking, Telecommunication and Technology, and Manufacturing and Allied sectors dominated trading, accounting for 37.4 percent, 24.14 percent and 15.1 percent respectively of all shares traded in the month.

FTSE NSE Kenya 15 Index, which measures performance of 15 largest stocks by market capitalization at NSE improved to 221.34 points in January 2015 from 217.76 points in December 2014. FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks improved to 223.02 points from 218.70 points in the period. FTSE NSE Kenyan Government Bond Index rose to 94.06 points from 93.31 points, reflecting fall in secondary market yields.

Bond Market

Bonds turnover declined by 10.91 percent in January 2015, to Ksh 38,369.93 million from Ksh 43,068.58 million traded in December 2014. Deals transacted were 338 down from 421 in December 2014. The IFB1/2014/012 dominated trading at 20.34 percent of total turnover, with yields ranging from 10.00 percent to 12.75 percent against a coupon rate of 11 percent. The Corporate bonds segment traded Ksh 233.75 million or 0.61 percent of total turnover.

STATEMENT OF FINANCIAL POSITION OF THE CENTRAL BANK OF KENYA (KENYA SHILLINGS MILLION)

1.0 ASSETS	JAN 2,015	JUNE 2014	INCREASE/ (DECREASE)
1.1 BALANCES DUE FROM BANKING INSTITUTIONS AND GOLD HOLDINGS	702,225	759,650	(57,425)
1.2 FUNDS HELD WITH IMF	513	692	(180)
1.3 ITEMS IN THE COURSE OF COLLECTION	29	70	(41)
1.4 ADVANCES TO COMMERCIAL BANKS	106	50	55
1.5 LOANS AND OTHER ADVANCES	30,583	40,463	(9,880)
1.6 OTHER ASSETS	2,998	3,142	(143)
1.7 RETIREMENT BENEFIT ASSET	7,659	7,659	0
1.8 PROPERTY AND EQUIPMENT	13,807	13,811	(4)
1.82 INTANGIBLE ASSETS	443	639	(196)
1.9 DEBT DUE FROM GOVERNMENT OF KENYA	27,224	28,334	(1,110)
TOTAL ASSETS	785,586	854,510	(68,924)
2.0 LIABILITIES			
2.1 CURRENCY IN CIRCULATION	212,859	199,966	12,892
2.2 INVESTMENTS BY BANKS (REPOs)	0	-	-
2.3 DEPOSITS	377,497	448,800	(71,303)
2.4 INTERNATIONAL MONETARY FUND	120,543	130,064	(9,522)
2.5 OTHER LIABILITIES	1,262	5,097	(3,835)
2.6 PROVISIONS	157	157	0.00
TOTAL LIABILITIES	712,317	784,084	(71,767)
3.0 EQUITY AND RESERVES	73,270	70,426	2,843
Share Capital	5,000	5,000	-
General reserve fund	48,914	48,914	0
Period surplus	2,843		2,843
Asset Revaluation	8,853	8,853	0
Retirement Benefit Asset Reserves	7,659	7,659	(0)
Dividends payable	0	-	-
4.0 TOTAL LIABILITIES AND EQUITY	785,586	854,510	(68,924.04)

Source: Central Bank of Kenya

NOTES ON THE FINANCIAL POSITION

Assets Balances due from Banking institutions and Gold holdings category consist of foreign reserves held in external current accounts, deposits and special/projects accounts, foreign travelers cheques, domestic foreign currency clearing accounts, gold, special drawing rights and RAMP securities invested with World Bank. The category decreased by KSh 57.4 billion to KSh 702.2 billion in January 2015 from KSh 759.7 billion in June 2014.

Items in course of collection represent the value of clearing instruments which are held by the Central Bank, while awaiting clearing by respective commercial banks. The balances as at January 2015 were KSh 29 million, representing 58.6 percent recovery from KSh 70 million outstanding as at June 2014.

Advances to commercial banks are balances of money advanced by the Central Bank to commercial banks through reverse Repo (injection of liquidity) for a short duration of 7 days and rediscounted Treasury bills and bonds by commercial banks. The balance outstanding increased by KSh 55 million (or 112 percent) to KSh 106 million in January 2015 from KSh 50 million in June 2014.

Loans and other advances include largely outstanding balances on advances to commercial banks under the Overnight Loan Facility (OLF) Window, Government overdraft and IMF funds on-lent to Government. The balances decreased by KSh 9,880 million to KSh 30,583 million in January 2015 from KSh 40,463 million in June 2014.

Other Assets largely consisting of prepayments and sundry debtors, and deferred currency expense decreased by KSh 143 million to KSh 2,998 million in January 2015 from KSh 3,142 million in June 2014.

Debt due from Government of Kenya category consist of overdrawn accounts which were converted to a long term debt with effect from 1 July 1997 after an amendment to the Central Bank of Kenya Act to limit lending to Government to 5 percent of Government's audited revenue. The debt reduced to KSh 27,224 million in January 2015 from Ksh 28,334 million in June 2013.

Liabilities Currency in circulation increased by KSh 12,892 million (or 6.4 percent) to KSh 212,859 million in January 2015 from KSh 199,966 million in June 2014.

Deposits liability represents deposits held by Government of Kenya, local commercial banks deposit, other public entities and project accounts and local banks' forex settlement accounts. The balances decreased by KSh 71,303 million to KSh 377,497 million in January 2015 from KSh 448,800 million in June 2014.

Amount due to International Monetary Fund represents the Bank's obligations to the IMF. The balances decreased by KSh 9,522 million, to KSh 120,543 in January

2015 from KSh 130,064 million in June 2014.

Other liabilities include net impersonal accounts, sundry creditors, foreign exchange bureaus deposits and suspense accounts. The balance decreased by KSh 3,835 million to KSh 1,262 million in January 2015 from KSh 5,097 million in June 2014.

Equities and reserves increased by KSh 2,843 million, to KSh 73,270 million in January 2015 from KSh 70,426 million in June 2014 reflecting increase in period surplus.